



WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA

SUPPLEMENTAL BOARD MATERIALS

July 19, 2023 board meeting



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Agenda Item 7

AGENDA ITEM:

Adoption of the Funding Cycle 2024 Drinking Water State Revolving Fund Project Priority List and Fundable Range effective July 1, 2023

ACTION REQUIRED:

Adopt

PREVIOUS ACTION:

✓ Federal Programs Committee Recommended Board Approval on June 29, 2023

STAFF CONTACT:

Lindsey Jones

ATTACHMENTS:

- Funding Cycle 2024 Drinking Water State Revolving Fund Fundable Range (see board book)
- Funding Cycle 2024 Drinking Water State Revolving Fund Project Priority List

STAFF COMMENTS:

Changes to the FY 2024 DWSRF PPL include additions of projects to the Fundable Range. No new projects were added to the FY 2024 DWSRF PPL

Arizona's Drinking Water Revolving Fund

2024 Funding Cycle - Project Priority List

July 2023

PPL Rank	Applicant	Population	County	PWS Number	Project Name	Description	Project Number	Amount Requested / Probable Green Amount	Subsidy
1	¹ Villa Grande Domestic Water Improvement District	300	Pinal	AZ0411321	Nitrate Treatment System (3)	This project will install an evaporative pond, additional storage tank, feed pump, and electrical components for a Nitrate treatment system. The DWID has two WIFA loans totaling \$788,000, however, due to unanticipated costs and overall increases in costs, the DWID needs an additional \$600,000 of funding to complete the project.	032 2024	\$600,000.00	75%
2	¹ Cienega Water Company INC	108	La Paz	AZ0415002	Epcor Connection	This project will include installing a new main line from the Epcor system so Epcor can take over the supply of water for the Cienega Springs Company customers.	004 2024	\$400,000.00	75%
3	¹ Sun Valley Farms Unit VI Water Company, Inc. AZ0411111	600	Pinal	AZ0411111	Well Site Improvement and Capacity Upgrades (2)	The project will construct a second storage tank, install well casing liner, well discharge piping modifications, backup generator, SCADA monitoring system, gas chlorination conversion, a perimeter block wall, and rehab a chlorine storage building. The previous WIFA loan was for \$891,000 however, due to escalating material, equipment and construction costs, the company needs an additional \$1,052,700 to complete the project and additional items.	003 2024	\$1,052,700.00	75%

4	^{1, 2} Clay Springs DWID	422	Navajo	AZ0409009	Lead Service Line Inventory and Replacement Project	Clay Springs' project involves the excavation and inspection of all service lines. The goal is to ensure compliance with the EPA's lead service line inventory requirement and replace any lines that are not up to modern standards.	028 2024	\$375,000.00	80%
5	¹ Clay Springs DWID	422	Navajo	AZ0409009	Small Diameter Lead Main Line Inventory and Replacement Project	Clay Springs' project involves the excavation and inspection of all mainlines under 2" in diameter. The goal is to ensure compliance with the EPA's lead service line inventory requirement and replace any lines that are not up to modern standards.	029 2024	\$233,475.00	80%
6	^{1,2} Kelvin Simmons Water Co-Op	50	Pinal	AZ0411035	LSL Replacement	The water system being built in the 1900s coupled with lead concentrations in the water exceeding the action level (0.015mg/L) since September 2017, strongly suggests the use of lead service lines. This project will replace 100% of the water lines to provide safe water to customers.	014 2024	\$500,000.00	80%
7	¹ Beaverdam Water Company	1,200	Mohave	AZ0408006	Jones Flat Tank	Install a new tank to add the capacity needed to keep up with current demand.	034 2024	\$363,426.35	70%
8	¹ Graham County Electric Cooperative	312	Graham	AZ0405007	Ash Creek Water Upgrade	This project will design and construct a new tank, two new wells and approximately 37,000 feet of new water line to bring the Ash Creek water system up to public drinking water standards.	017 2024	\$3,896,750.00	80%

9	¹ Town of Camp Verde	5,550	Yavapai	AZ0413015 & AZ0413072	Arsenic Treatment for Water System	Arsenic levels are approaching or exceeding 10 PPM during the summer months or during higher well-pumping periods. Arsenic treatment is needed at Mongini Well sites and the Verde River Estates subdivision site.	027 2024	\$1,500,000.00	80%
10	¹ Sierrita Mountain Water Co-op	258	Pima	AZ0410208	System Improvements	This project will consist of installing 2 desanders (one for each well), a security system, and replacing old piping, valves, and booster pumps with new pipes, valves and pumps.	024 2024	\$250,000.00	75%
11	¹ Canyon Water Improvements District	456	Gila	AZ0404112	Preliminary Engineering Report	This project will complete a Preliminary Engineering Report (PER) that identifies the District's needs, evaluates alternatives for implementation, and outlines the recommended infrastructure improvements. Utilizing the recommended improvements outlined in the PER, the District would then proceed to look for additional funding to design and construct the recommended rehabilitation, replacement and/or upgrades to the system in order of priority.	031 2024	\$75,000.00	75%
12	¹ Cerbat Water Company	863	Mohave	AZ0408341	Meter Install	This project will replace the manual read water meters with electronic reading meters to improve water usage calculations and operational efficiencies.	018 2024	\$145,557	80%

13	¹ Yarnell Water Improvement Association, YWIA	700	Yavapai	AZ0413057	YWIA System Improvements	YWIA will replace and upgrade the current VERTCH SCADA system, replace leaking and undersized pipes, and replace 19 blow off valves.	001 2024	\$250,000.00	75%
14	¹ Cayetano, Inc. dba Lakewood Water Company	807	Pima	AZ0410063	Nitrate Mitigation	The water company relies on a single well that is high in nitrates. This project will drill a new well away from the nitrate contamination, connect the well to the existing system, increase storage to 100,000 gallons, install a two-pump booster station, build a tie-in transmission line, and upgrade the electrical system.	016 2024	\$650,000.00	80%
15	¹ Sweet Springs Community mhp	85	Cochise	AZ0402327	Distribution System Upgrades	The water system is old and degrading. The project will replace distribution system pipes, a storage tank and a booster pump with new pipes, tank and pump.	025 2024	\$753,507.90	80%
16	³ Marana, Town of	7,560	Pima	AZ0410092	Water Treatment Campus Loans Reimbursement	The Town is requesting reimbursement for the previously constructed Water Treatment Campuses to address PFOA's and 1,4 dioxane.	005 2024	\$16,000,000.00	85%

17	¹ Ash Fork Development Assoc. dba: Ash Fork Water Service	2,400	Yavapai	AZ0413008	Ash Fork Water Service System Improvements	This project will address multiple issues within the system including spot blast and re-coat of 2-500,000 gallon steel Storage Tanks, installation of an Arsenic Treatment system at Ash Fork #1 groundwater well, installation of approximately 6,200' of water mains- Including survey, design, bidding, construction administration, permitting, and post construction tasks, and design and construction new Standpipe facility- Storage tank, pump system, dispensing system, site work including driveways.	007 2024	\$1,375,000.00	75%
18	¹ Beaverdam Water Company	0	Mohave	AZ0408006	Palms New Well	The current pump is 33 years old and is struggling to keep up with current demand. The Company will drill an additional well to remove stress on the old well.	035 2024	\$350,000.00	75%
19	¹ Bonita Creek Water Company	140	Gila	AZ0404024	Waterline and Meter Upgrades	To address system deficiencies, Bonita Creek plans to replace around 5,000 feet of water line, replumb service connections, replace steel line from pump house to water tanks with 2-inch 80 PVC, replace water meters with smart low flow models, install an Emergency Transfer Switch, and install a new updated sand filter.	002 2024	\$247,970.00	80%

20	¹ Wild Flower Water Co-Op	145	Pima	AZ0410265	Distribution System Upgrade	This project will replace aged and failing water lines and water meters with new water lines and radio read meters which will provide residents a more reliable water service.	011 2024	\$200,000.00	80%
21	^{1,2} Payson, Town of	18,000	Gila	AZ0404032	Lead Service Line Inventory	Payson intends to complete a lead service line inventory to comply with the new lead and copper rule revision.	010 2024	\$150,000.00	80%
22	¹ Mountain Glen Water Service, Inc.	10,053	Navajo	AZ0409090	New Water Campus	The water system plans to construct a new water campus which includes purchasing land, drilling new well, constructing new storage and pressure tanks, and an inline booster station.	021 2024	\$1,113,600.00	80%
23	¹ Mescal Lakes Water Systems, Inc.	1,479	Cochise	AZ0402052	System Upgrades	This project includes replacing all water meters and installing a new storage tank, a new booster station, SCADA monitoring, and distribution system upgrades.	022 2024	\$1,130,657.00	80%
24	¹ Humboldt Water Systems Inc	1,500	Yavapai	AZ0413052	2022 Town Improvement Project	Humboldt Water systems will add a 100K gallon storage tank to be able to keep up with the current demand and be able to switch between tanks when repairs are needed. They will also refurbish the current 65k gallon storage tank, add a well to the system and install radio read meters.	015 2024	\$641,418.00	80%
25	¹ Holliday Development LLC	60	Yavapai	AZ0413487	Whispering Winds	This project will install an arsenic treatment system.	026 2024	\$50,000.00	85%

26	¹ Flagstaff, City of	76,000	Coconino	AZ0403008	Lake Mary Water Treatment Plant Sedimentation Basin Rehabilitation Project	This project will rehabilitate the sedimentation basins which have been in continuous use since 1965, including the replacement of all valves, influent piping, equipment (sludge collectors and flocculators), and vertical structures (walls & supporting pedestals) within the basins. All concrete structures will either be demolished and replaced or repaired (recoated). In addition, a static chemical mixer will be added to the basins increasing chemical mixing and efficiency.	008 2024	\$6,000,000.00	80%
27	City of Peoria	179,002	Maricopa	AZ0407096	Zone 6E Reservoir and Booster Pump Station	The City of Peoria intends to design and construct a new 2.5 million gallon reservoir and booster pump station facility that will treat water from the new wellfield, treat it, and distribute it to the water system.	009 2024	\$17,126,000.00	90%
28	Black Canyon City WID	2,645	Yavapai	AZ0413051	Service water meter replacement	The Black Canyon City Water WID is proposing to replace all meters that have been in service long enough to have registered 800,000 gallons or more. The aging meters would be replaced with new technology that allows for proximity meter readings.	030 2024	\$525,000.00	85%
29	^{1,3} City of Prescott	60,804	Yavapai	AZ0413045	Prescott Wells Remediation	The City of Prescott discovered the presence of PFAS chemicals in two of their water wells located near the airport and is seeking funding to remediate the wells.	019 2024	\$7,000,000.00	80%

30	^{1,2} City of Prescott	60,804	Yavapai	AZ0413045	Copper and Lead Inventory	This project would fund the lead service line inventory required by the EPA's lead and copper rule revision.	020 2024	\$500,000.00	80%
31	^{1,3} Metropolitan Domestic Water Improvement District	46,977	Pima	AZ0410076	DeConcini Well PFAS Treatment	Metro Water is proposing to install Granular Activated Carbon (GAC) treatment at the DeConcini well site to remove PFAS. The proposed treatment train includes a single GAC treatment vessel capable of treating a flow rate of up to 800 gallons per minute, with the goal to treat to non-detect for the six PFAS constituents proposed under the EPA regulation.	036 2024	\$375,791.00	80%
32	^{1,3} Metropolitan Domestic Water Improvement District	46,977	Pima	AZ0410076	Riverside Crossing Well PFAS Treatment	Metro Water is proposing to equip Riverside Crossing with Granular Activated Carbon (GAC) treatment to remove PFAS. The proposed treatment train includes a single GAC treatment vessel capable of treating a flow rate of up to 800 gallons per minute with the goal to treat to non-detect for the six PFAS constituents proposed under the EPA regulation. A bypass would be installed allowing flexibility in the delivery of water meeting water quality standards as identified by the proposed MCL to meet future EPA proposed regulation.	037 2024	\$364,791.00	80%

33	¹ Page Utility Enterprises	8,676	Coconino	AZ0403017	Water Treatment Plant Expansion Project	This project would increase the clear well pumping capacity, high service pumping capacity, and ultraviolet disinfection capacity to match the increased plant flow; and provide the electric power and controls needed for the additional equipment.	012 2024	\$5,935,000.00	85%
34	¹ Page Utility Enterprises	8,676	Coconino	AZ0403017	Raw Water Intake and Conveyance Pipeline	This project includes the design and construction of a new raw water intake structure located upstream of the Glen Canyon Dam on the east side of the dam, and a new 25,500 foot, 18-inch conveyance pipeline would be constructed to convey raw water from the intake pump station to the surface water treatment plant.	013 2024	\$38,432,000.00	85%
35	² City of Scottsdale	241,361	Maricopa	AZ0407098	Lead Service Line Inventory	The City of Scottsdale will perform a lead service line inventory for approximately 45,000 homes to comply with the Lead and Copper Rule Revisions.	006 2024	\$2,357,000.00	90%
36	³ Marana, Town of	14,326	Pima	AZ0410150	Marana Park Emerging Contaminants Treatment Facility	This project will construct a treatment facility at the Marana Park System which is part of the North Marana System. The treatment system will use granulated activated carbon to remove perfluorinated compounds below the MCL.	033 2024	\$7,055,000.00	90%

Total: **\$117,974,643.25**

¹ Eligible for disadvantaged community designation

² Eligible for BIL – Lead Service Line Replacement Funds

³ Eligible for BIL – Emerging Contaminant Funds

Agenda Item 8

AGENDA ITEM:

Approval of Loan Resolution 2024-001 – Mescal Lakes Water Systems, Inc – DWSRF –\$1,130,657

ACTION REQUIRED:

Approve

PREVIOUS ACTION:

✓ Federal Programs Committee Recommended Board Approval on June 29, 2023

STAFF CONTACT:

Scott Connelly

ATTACHMENTS:

- Executive Summary (see board book)
- Loan Resolution 2024-001 – Mescal Lakes Water Systems, Inc (see board book)
- Due Diligence Report DW 052-2023

STAFF COMMENTS:

None

Mescal Lakes Water Systems, Inc
DW 052-2023

Board Action:
July 19, 2023

Project Status Committee Member Certifications:

I have reviewed the application and financial documentation submitted by the applicant and have determined that the request for financial assistance satisfies the requirements for Board consideration.

Signature: *Anthony Ngeera* Title: Sr. Loan Officer Date: 06/16/2023

I have reviewed the application and technical documentation submitted by the applicant and have determined that the request for financial assistance satisfies the requirements for Board consideration.

Signature: *[Signature]* Title: Environmental Program Supervisor Date: 06/16/2023

Director Certification:

I have reviewed the staff analysis of the application and related documentation and have determined that the request for financial assistance satisfies the requirements for Board consideration.

Signature: *[Signature]* Date: 06/21/2023

Section 1: Applicant Information

1.1 Name of Applicant

Mescal Lakes Water Systems, Inc

1.2 Authorized Representative

Bryan Thomas, President

1.3 Address

6808 N Dysart Rd, Ste 116, Glendale, AZ 85307

1.4 Applicant Description

Type of Applicant: ☐ Governmental ☒ Non-Governmental

Type of Project: ☒ Drinking Water ☐ Wastewater

System Identification

PWS Number: AZ0402052

Community or Non-Community System: Community

1.5 Project Priority List

<u>PPL Rank*</u>	<u>Funding Cycle</u>	<u>Population Served</u>	<u>Subsidy*</u>
42	2023	1,479	80%

*Per the proposed PPL to be presented for approval at the July 2023 WIFA Board meeting.

1.6 Previous Board Actions

No Prior Board Actions

Section 2: Project Information

2.1 Community Description

Mescal Lakes Water System, Inc. (Mescal Lakes) is a subsidiary of Hearthstone Utilities, Inc., that provides portable water services for approximately 526 customers near Benson, Arizona in Cochise County, Arizona. Benson is a city 45 miles east-southeast of Tucson. It was founded as a rail terminal for the area, and still serves as such. The town's top attraction is Kartchner Caverns State Park. This limestone cave is “live,” meaning its icicle-like formations continue to grow thanks to water seepage from the surface. This underground landscape is cool – literally – with an average temperature of 72° Fahrenheit year-round. Benson is a family-oriented town with reasonable accommodations and public services. It is

the shopping center for many surrounding communities including St. David and Pomerene. Arizona Electric Power Cooperative, Inc., Apache Nitrogen Products, City of Benson, Benson School District and the Benson Hospital are the area's major employers.

2.2 Current Condition

Mescal Lakes provides water service to a rural subdivision near Benson in Cochise County, Arizona. The water system consists of three active wells with a chlorination unit at each well site, one inactive well site, one 3,000-gallon pressure tank, one 4,500-gallon pressure tank, four booster pumps, two active 50,000-gallon storage tanks, and a distribution system. All facilities are in good condition.

Type & Number of Connections

Type of Connection	Current	Prior Year	2 Years Prior	3 Years Prior	4 Years Prior
Residential	527	525	518	498	490
Commercial	13	13	12	12	12
Industrial	0	0	0	0	0
Other	0	0	0	0	1
Total	540	538	530	510	503

2.3 Problem

Although the current storage capacity at well site #1 is sufficient based on the requirements of A.A.C. R18-5-503(B), water pressures cannot be equalized and isolated due to a lack of pressure relief valves. Additional storage capacity could also help the system equalize pressures based on Arizona Cooperation Commission (ACC) staff recommendations.

The water system's existing meters are direct-read meters, most of which were installed in 1987 and is likely the source of error in water loss calculations. Several are located in alleyways between homes and other locations that are difficult to access. Lastly, the water system lacks remote operation of equipment and Mescal Lakes stated they would benefit from variable frequency drive controllers, Remote Telemetry Units, and Supervisory Control and Data Acquisition (SCADA) system.

2.4 Solution

Mescal Lakes proposes to add a new 50,000-gallon water storage tank, replace all direct-read customer meters with radio-read meters, install of a booster pump variable frequency drive system at well site #1, install a new pressure relief valve and 6-inch water line to isolate and

equalize water pressures at well site #1, and install SCADA system and Remote Telemetry Units at well sites #2, #3, and #4. These projects will allow consistent water delivery to customers in the event of a system failure of existing infrastructure.

The water system will benefit from radio-read meters through efficiency and accurate readings. The two Pressure Reducing Valves will allow the run booster stations to run automatically together or independently of each other. The upgrades at well site #1 will balance water system pressures. Lastly, equipping the well sites with SCADA system and Remote Telemetry Units will provide the water system with automation and electronic system monitoring of booster pump performance, storage tank levels, and water pressures. The ACC concludes that these proposed projects are reasonable and necessary.

The life expectancy of the project is over 20 years.

2.5 Funding Sources and Uses

Uses by Budget Item	WIFA Funding	Local Funding	Other: _____	Total By Use
Planning				
Design & Engineering	\$100,000			\$100,000
Legal/Debt Authorization	\$5,000			\$5,000
Financial Advisor				
Land/System Acquisition				
Equipment/Materials	\$512,829			\$512,829
Construction/Installation/Improvement	\$512,828			\$512,828
Inspection & Construction Management				
Project Officer				
Administration				
Staff Training				
Capitalized Interest				
Other - Contingency				
Total by Source	\$1,130,657			
Total for Project				\$1,130,657

Engineering Costs Reasonable? X Yes No N/A

Construction Costs Reasonable? X Yes No N/A

Section 3: Legal Capability

Congressional District(s) 6
Legislative District(s) 19

Type of Applicant: ☐ Association/Cooperative ☒ Corporation
☐ Limited Liability Corporation ☐ Political Subdivision
☐ Sole Proprietor ☐ Other

Significant Findings in Legal Structure Review? ☒ No ☐ Yes

Debt Authorized ☒ Yes ☐ No, Scheduled: _____

Authorized Amount: \$1,130,657

ACC decision No. 78742 dated October 24, 2022, authorizing Mescal Lakes Water Systems, Inc. to issue long term debt with WIFA.

Significant Findings in Debt Authorization Review? ☒ No ☐ Yes

Section 4: Managerial Capability

4.1 Managerial Review

Is there a history of managerial deficiencies? ☒ No ☐ Yes

By-laws, rate ordinances, and connection ordinances in place? ☒ Yes ☐ No

Does the organization have an established accounting/bookkeeping system? ☒ Yes ☐ No

Mescal Lakes uses the NARUC system and QuickBooks for accounting/bookkeeping.

Are terms of officials staggered? ☐ Yes ☒ No

The corporate officers are determined by the Board of Directors in accordance with the corporate by-laws.

Is there a history of (or pending) recalls or removals of officials? ☒ No ☐ Yes

Individual responsible for managing the proposed design or construction project:
☐ System Manager ☐ Officer of the Organization ☒ Other:

Josh Uhland, is the Operations Manager will be managing the design and construction project.

Project manager experienced in managing similar design or construction projects? ☒ Yes ☐ No

Josh Uhland, has several years of experience as a water operator.

Individual responsible for day-to-day management of the system:
☐ System Manager ☐ Officer of the Organization ☒ Other:

Day-to-day manager experienced in managing this or similar systems? ☒ Yes ☐ No

4.2 Potential Management Impacts

Significant management impacts as the result of the proposed project? ☒ No ☐ Yes

Managerial impact because of any current or past litigation? ☒ No ☐ Yes

4.3 Consultant Capacity

Significant findings in consultant capacity review? ☒ No ☐ Yes

4.4 Conclusions

Management History: ☒ Stable ☐ Unstable

Management Structure: ☒ Satisfactory ☐ Unsatisfactory

Significant Findings in Managerial Review? ☒ No ☐ Yes

Section 5: Technical Capability

5.1. Technical Review

Compliance Status: ☒ Significant Compliance ☐ Significant *Non*-Compliance

Recent Inspection: ☒ Significant Compliance ☐ Significant *Non*-Compliance

Operators certified at appropriate level? ☐ Yes ☐ No

Name	Title	Certification Grade	Total Years Experience	Time in Position
Josh Uhland	Operations Manager	Distribution – 4 Treatment - 4	10	6 months

Description of operating impacts due to project technology?

There are no significant operating impacts anticipated to project technology.

Additional comments on technical capability? X No Yes

Significant findings in Technical Review? X No Yes

5.2. Water Supply Adequacy

ADWR Compliance Status: X Significant Compliance Significant *Non*-Compliance

Significant impact due to water rights adjudication? X No Yes

Significant findings in Water Supply Review? X No Yes

5.3. Readiness to Proceed

Project Development Milestones:

Task	Scheduled Date
Planning, Design & Specifications Completion	August 2023
Approval to Construct	September 2023
Advertisement for Bids	October 2023
Construction Commencement	December 2023
Approval of Construction Completion	December 2024
Initiate Operation	January 2025

Licenses/Permits	Date Expected/Approved
Approval to Construct	September 2023
Approval of Construction	December 24

5.4. Environmental Review

- Not Applicable – For Planning Financial Assistance Only
 X Categorical Exclusion
 Environmental Assessment – Finding of No Significant Impact
 Environmental Assessment – Environmental Impact Statement

Section 6: Financial Capability *(see Attachments A, B and C for detail)*

Credit Rating: N/A: X Fitch: Moody's: S&P:

Historical Performance *(See Attachment B for greater detail):*

To conduct the historical performance analysis of Mescal Lakes Water Systems, Inc, WIFA staff relied on the annual reports for calendar years 2019-2022, Arizona Corporation Commission (ACC) Docket Nos. W-02472A-22-0119, W-02472A-22-0120 and Decision No. 78742 along with the accompanying ACC Staff Report. Mescal Lakes Water Systems, Inc. did not have outstanding debt during the historical review period, but they achieved positive cash flow in each year that could be used to service debt. The company currently has no long-term debt.

Mescal Lakes Water Systems, Inc. was not required to complete a Single Audit Report for any of the previous three years as no federal funds over \$750,000 were disbursed.

Projected Performance *(See Attachment C for greater detail):*

To project financial performance, WIFA staff used the above referenced historical reports along with the ACC Staff report that accompanied Decision Nos. 78319 and 78897.

Beginning in 2018 and continuing through 2022, the company experienced 2.30% annualized growth in revenues and 2.00% in expenses. WIFA staff took a slightly more conservative approach by projecting revenues to grow annually at 3% and using a 5% annual growth for operating expenses. Growth is expected to be ensured given a decision by the ACC to grant the organization a surcharge and debt service reserve fund to go along with a new rate increase to allow for sufficient funds for debt servicing. Incorporating this approach, the 5-year projected financial performance shows the company will be able to meet WIFA's required Debt Service Coverage (DSC) for 2023-2027.

The proposed project qualifies for the first-tier additional subsidy funding available to a project in a disadvantaged community. Therefore, applying WIFA Procedure III.20.1., staff recommends up to \$529,485 in forgivable principal.

Section 7: WIFA Staff Recommendations

7.1 Financial Assistance Terms and Conditions *(see Attachment A for greater detail)*

Financial Assistance Amount: \$1,130,657 with \$529,485 in forgivable principal

Primary Repayment Source: System Revenues

Secondary Repayment Source: None

Loan Term: 20 Years

Frequency of Repayment:

☐ Semi-Annual ☒ Monthly ☐ Other:

Loan Structure: Standard Non-governmental Level-1; Disadvantaged Community

Debt Service Reserve Fund Requirements:

☐ WIFA ☒ Local - *Separate* ☐ Local – *Not Separate* ☐ Surety ☐ None

Repair and Replacement Fund Requirements:

☒ Local - *Separate* ☐ Local – *Not Separate* ☐ None

Requirements Prior to Loan Execution:

Require Legal Opinion: ☒ Yes ☐ No

Other: No Requirement

Requirements Prior to Construction: No Requirement

Requirement during Construction: No Requirement

Requirements Prior to Final Disbursements: No Requirement

Loan Category:

☐ Qualified, Pledged ☐ Qualified, Not Pledged ☒ Not Qualified

Policy Exceptions: None

7.2 Technical Terms and Conditions

Observation Schedule B:

Observation 1: Upon borrower notification of construction commencement

Additional Observations: at least one site observation within each 12-month period

Final Observation: 80% construction budget disbursement

Withholdings:

10% (released after deliverables received) ☒ Yes ☐ No

Requirements Prior to Loan Execution: No Requirement

Requirements Prior to Construction:

Submittal of Construction Bids ☒ Yes ☐ No

Project Publicity/Signage ☒ Yes ☐ No

Other: No Requirement

Requirements during Construction:

Prior Review of Changes in Project Scope ☒ Yes ☐ No

Other: No Requirement

Requirements Prior to Releasing Withholdings:

10% Withholding

Require Plan of Operation ☒ Yes ☐ No

Require Final Approval ☒ Yes ☐ No

Other: No Requirement

Policy Exceptions: None

7.3 Additional Notice and Reporting Requirements

Other: Wage rate reporting requirements; Use of American Iron and Steel requirements

Mescal Lakes Water Systems, Inc

Fiscal Impact of WIFA Financial Assistance

Total Requested.....	\$1,130,657.00
Forgivable Principal.....	\$529,485.00
WIFA Funded Amount (Loan Amount to be Repaid).....	\$601,172.00
Term.....	20
Combined Interest & Fee Rate	
Interest Rate Index.....	5.00%
Subsidy Rate Index.....	80.00%
Combined Interest & Fee Rate.....	4.000%
Year Principal Repayments Begin	2
Coverage Requirement.....	20.00%
Debt Service Reserve Requirement.....	\$45,772.41
# of Years Debt Service Reserve Funded.....	5
Annual Level Debt Service Payments to WIFA.....	\$45,772.41
Annual Debt Service Reserve Deposit	
Prior to Debt Service Reserve Requirement.....	9,154.48
Annual Replacement Fund Deposit -- Held Locally	
After Debt Service Reserve Requirement.....	9,154.48

Annual Fiscal Impact

Year	Annual Debt Service	Reserve Fund Deposit	Replacement Fund Deposit	Total Annual Fiscal Impact
1	24,046.88	9,154.48	0.00	33,201.36
2	45,772.41	9,154.48	0.00	54,926.89
3	45,772.41	9,154.48	0.00	54,926.89
4	45,772.41	9,154.48	0.00	54,926.89
5	45,772.41	9,154.48	0.00	54,926.89
6	45,772.41	0.00	9,154.48	54,926.89
7	45,772.41	0.00	9,154.48	54,926.89
8	45,772.41	0.00	9,154.48	54,926.89
9	45,772.41	0.00	9,154.48	54,926.89
10	45,772.41	0.00	9,154.48	54,926.89
11	45,772.41	0.00	9,154.48	54,926.89
12	45,772.41	0.00	9,154.48	54,926.89
13	45,772.41	0.00	9,154.48	54,926.89
14	45,772.41	0.00	9,154.48	54,926.89
15	45,772.41	0.00	9,154.48	54,926.89
16	45,772.41	0.00	9,154.48	54,926.89
17	45,772.41	0.00	9,154.48	54,926.89
18	45,772.41	0.00	9,154.48	54,926.89
19	45,772.41	0.00	9,154.48	54,926.89
20	45,772.41	0.00	9,154.48	54,926.89
	\$893,722.58	\$45,772.41	\$137,317.22	\$1,076,812.21

ATTACHMENT A – PRELIMINARY AMORTIZATION

Mescal Lakes Water Systems, Inc

	2018				2019				2020				2021				2022			
	Historical	Historical	Historical	Historical	Historical	Historical	Historical	Historical	Historical	Historical	Historical	Historical	Historical	Historical	Historical	Historical	Historical	Historical		
Revenues																				
Operations	207,420		204,588		223,349		227,214		227,029											
Other Income	64,916		584		372		621		683											
Interest Income	410		-		-		-		-											
Total Revenues	272,746		205,172		223,721		227,835		227,712											
Expenses																				
Operating Expenditures	167,314		171,184		173,579		169,474		181,483											
Maintenance Expenditures	7,212		3,660		9,118		7,236		4,247											
Other Expenditures	8,764		26,927		26,435		29,852		12,837											
Total Expenses	183,290		201,771		209,132		206,562		198,567											
Net Revenues Available for Debt Service	89,456		3,401		14,589		21,273		29,145											
Prior Debt Service Surcharge	-		-		-		-		-											
Debt Service																				
Debt Service	-		-		-		-		-											
Total Debt Service	-		-		-		-		-											
Revenues after Debt Service	89,456		3,401		14,589		21,273		29,145											
Current Debt Service Coverage	N/A		N/A		N/A		N/A		N/A											

Mescal Lakes Water Systems, Inc

	Year over Year							
	2023	2024	2025	2026	2027	2023	2024	2025
	Projected	Projected	Projected	Projected	Projected	%	%	%
Revenues								
Operations	249,140	256,614	264,312	272,242	280,409	9.74%	3.00%	3.00%
Other Income	-	-	-	-	-	N/A	N/A	N/A
Interest Income	-	-	-	-	-	N/A	N/A	N/A
Total Revenues	249,140	256,614	264,312	272,242	280,409	9.74%	3.00%	3.00%
Expenses								
Operating Expenditures	184,018	193,219	202,880	213,024	223,675	1.40%	5.00%	5.00%
Maintenance Expenditures	2,244	2,356	2,474	2,598	2,728	0.00%	5.00%	5.00%
Other Expenditures	13,353	14,021	14,722	15,458	16,231	0.00%	5.00%	5.00%
Total Expenses	199,615	209,596	220,076	231,079	242,633	1.29%	5.00%	5.00%
Net Revenues Available for Debt Service	49,525	47,018	44,237	41,162	37,776	65.36%	-5.06%	-5.92%
Debt Service Surcharge or Rate Increase	28,856	48,936	48,936	48,936	48,936			
Debt Service								
Current Debt Service	-	-	-	-	-			
WIFA Proposed Debt Service	28,856	48,936	48,936	48,936	48,936			
Total Debt Service	28,856	48,936	48,936	48,936	48,936			
Revenues after Debt Service	49,525	47,018	44,237	41,162	37,776	65.36%	-5.06%	-5.92%
Projected Debt Service Coverage	2.72	1.96	1.90	1.84	1.77			

ATTACHMENT C – PROJECTED PERFORMANCE

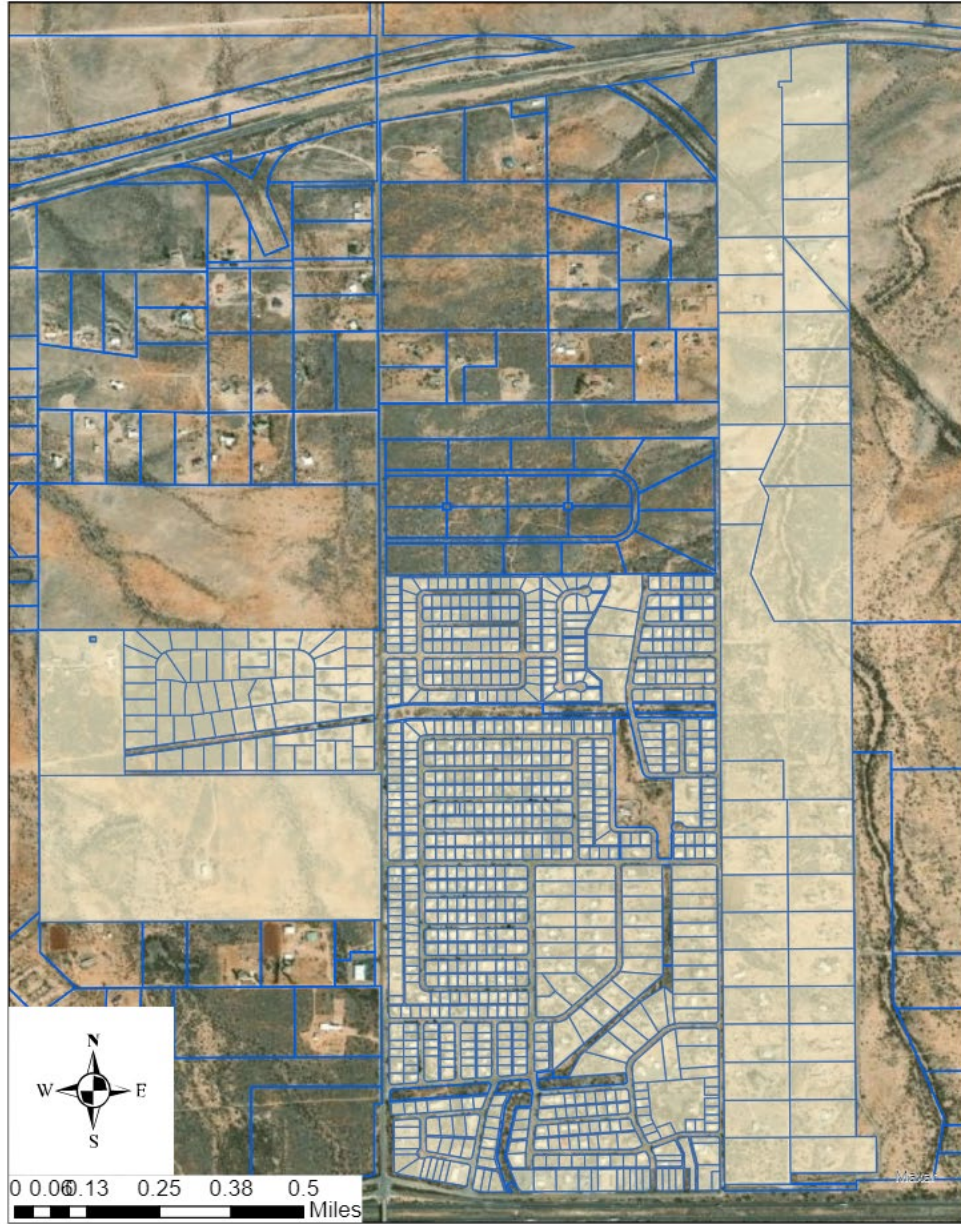
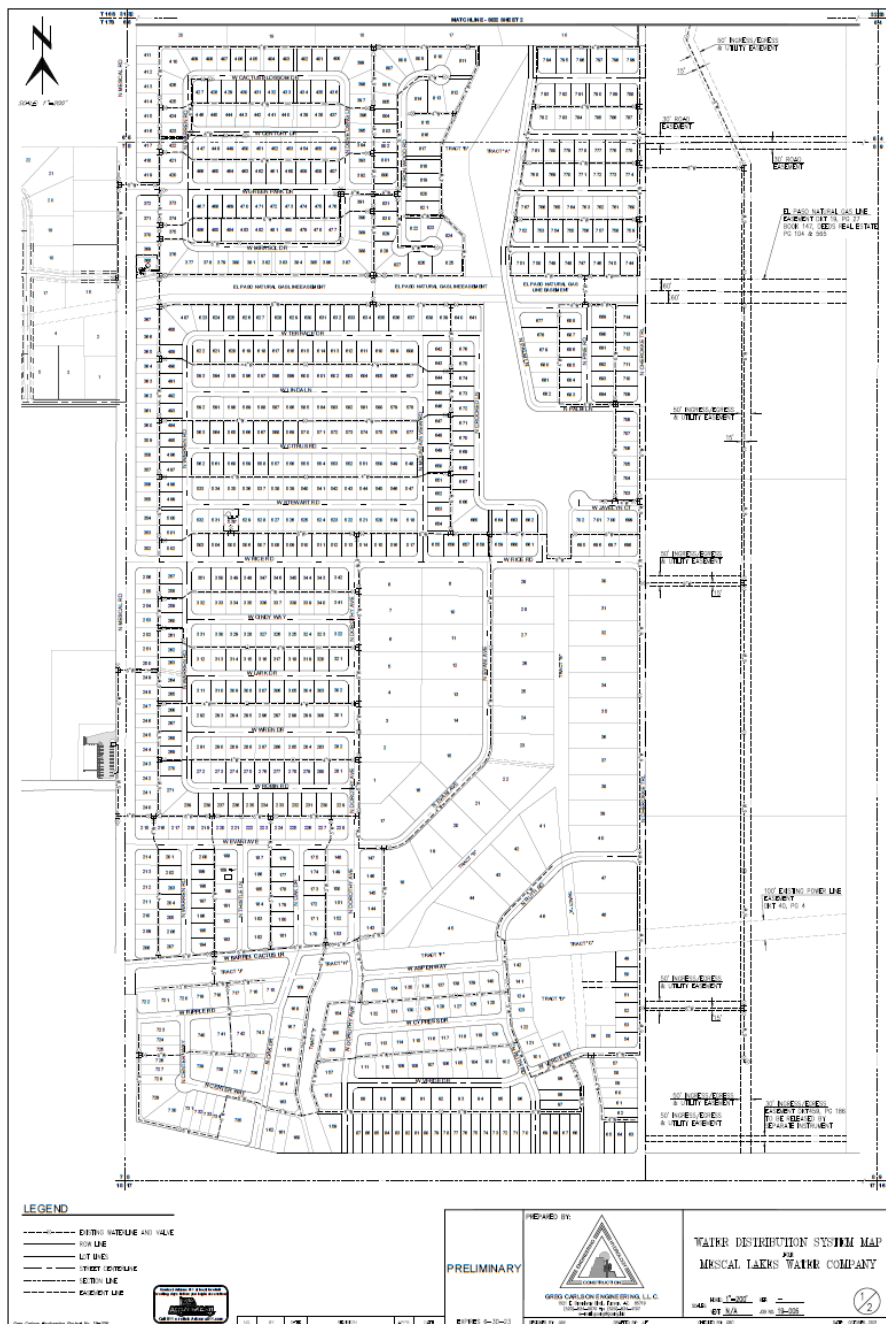


FIGURE 2. PARCELS IN SERVICE AREA
MESCAL LAKES WATER SYSTEM
(APPROXIMATE SERVICE AREA SHOWN FOR REPORT
PURPOSES ONLY)





Project Description	Cost
Meter Replacement Project	\$438,096
Storage Tank	\$148,334
Well Site #1 Booster Pump	\$221,425
SCADA systems at Well Sites #2, #3, and #4	\$69,412
Distribution Line	\$168,013
Pressure Relief Valve	\$85,377
Total	\$1,130,657

Agenda Item 9

AGENDA ITEM:

Approval of Loan Resolution 2024-002 – Villa Grande Domestic Water Improvement District – DWSRF –\$600,000

ACTION REQUIRED:

Approve

PREVIOUS ACTION:

✓ Federal Programs Committee Recommended Board Approval on June 29, 2023

STAFF CONTACT:

Scott Connelly

ATTACHMENTS:

- Executive Summary (see board book)
- Loan Resolution – 2024-002 – Villa Grande Domestic Water Improvement District (see board book)
- Due Diligence Report DW 063-2023

STAFF COMMENTS:

None

Villa Grande Domestic Water Improvement District DW 063-2023

Board Action: July 19, 2023

Project Status Committee Member Certifications:

I have reviewed the application and financial documentation submitted by the applicant and have determined that the request for financial assistance satisfies the requirements for Board consideration.

Signature:  Title: Sr. Loan Officer

Date: 6/16/2023

I have reviewed the application and technical documentation submitted by the applicant and have determined that the request for financial assistance satisfies the requirements for Board consideration.

Signature:  Title: Environmental Program Supervisor

Date: 06/16/2023

Director Certification:

I have reviewed the staff analysis of the application and related documentation and have determined that the request for financial assistance satisfies the requirements for Board consideration.

Signature:  Date: 6/22/2023

Section 1: Applicant Information

1.1 Name of Applicant

Villa Grande Domestic Water Improvement District

1.2 Authorized Representative

Joni Roerdink, District Manager

1.3 Address

P.O. Box 63 Eloy, AZ 85131

1.4 Applicant Description

Type of Applicant: X Governmental Non-Governmental

Type of Project: ☒ Drinking Water ☐ Wastewater

System Identification

PWS Number: AZ0411321

Community or Non-Community System: Community

1.5 Project Priority List

<u>PPL Rank*</u>	<u>Funding Cycle</u>	<u>Population Served</u>	<u>Subsidy*</u>
1	2023	300	75%

*Per the proposed PPL to be presented for approval at the July 2023 WIFA Board meeting.

1.6 Previous Board Actions

November 18, 2020 - the Board adopted Loan Resolution 2021-014 to award \$428,000 with \$374,600 in forgivable principal (Loan No. 920314-21). This loan supplemented a previous Loan (No. 920296-20) to fund additional costs of installing a nitrate treatment system. Technical Assistance Funding of \$20,000 was also awarded for compliance assistance with Davis Bacon and related act requirements.

October 23, 2019 – the Board adopted Resolution Addendum A2020-007 to increase the total financial assistance amount authorized by Loan Resolution 2019-02 from \$260,000.00 to \$360,000.00 with \$324,000 (90% of total loan amount) in forgivable principal. The additional \$100,000 will pay for engineering and design costs that were not anticipated.

June 26, 2019 – the Board adopted Loan Resolution 2019-02 to award \$260,000.00 with \$234,000.00 of forgivable principal (Loan No. 920296-20) to Villa Grande DWID to install a nitrate treatment system.

FY 2019 Technical Assistance Funding Cycle – Board awarded Villa Grande DWID up to \$50,000 in Technical Assistance funding to complete Environmental Assessment and final design of the treatment system.

FY 2014 Technical Assistance Funding Cycle - Board awarded Villa Grande DWID \$15,877 for drinking water technical assistance to fund an alternatives analysis to assess the system's two wells and identify appropriate methods for nitrate removal.

Section 2: Project Information

2.1 Community Description

Villa Grande Domestic Water Improvement District (DWID) is a Public Water System located approximately 3 miles to the northeast of the City of Eloy, on the northwest corner of State Route 87 and Houser Road. The DWID was formed in 1999 out of the Pinal Water Company.

Approximately 10% of the community's population is retired. Principal economic activity of the area is agriculture. Residents commute to Casa Grande, Tucson or Phoenix for employment.

2.2 Current Condition

Villa Grande DWID currently has 108 active connections and provides drinking water to approximately 300 people in the Villa Grande subdivision, located approximately 3 miles northeast of Eloy. The system consists of two production wells, two 60,000-gallon storage tanks, a booster station consisting of duplex pump, a 5,000-gallon hydropneumatic tank, and approximately 4 miles of transmission lines. The facilities are in fair condition, however, the water system has had a consent order for nitrate exceedances from the Arizona Department of Environmental Quality (ADEQ) since 2018.

Type & Number of Connections

Type of Connection	Current	Prior Year	2 Years Prior	3 Years Prior	4 Years Prior
Residential	109	108	108	107	108
Commercial	0	0	0	0	0
Industrial	0	0	0	0	0
Other	0	0	0	0	0
Total	109	108	108	107	108

2.3 Problem

Villa Grande DWID was originally approved for a WIFA loan (Loan No. 920296-20) in 2019 for \$360,000.00 to design and construct a Standard Ion Exchange pump-to-waste treatment process to remove nitrates from their water supply as recommended by M3 Engineering. However, it was determined that the system could not reliably and consistently lower nitrate levels below the Maximum Contaminant Level (MCL). It was also discovered that the electrical and general contracting items included in the proposals were significantly under quoted. In 2019, WestLand Resources recommended a Low Waste Ion Exchange treatment alternative provided by AdEdge Water Technologies. In November 2020, the WIFA Board approved a \$428,000.00 loan for this project which also covered additional engineering design costs that were not anticipated. However, the initial Opinion of Probable Construction Cost (OPCC) was short due to the significant change in construction costs and numerous project delays due to permitting, supply chain, and bid issues. The bids had increased from the original \$800,000 to \$1 million. Villa Grande has a remaining budget of \$21,680 to apply towards construction on the first WIFA loan and \$468,000 to apply towards the second WIFA loan. Therefore, this leaves funding short by \$576,486.08.

2.4 Solution

Villa Grande DWID proposes to install an evaporative pond, additional storage tank, feed pump, and electrical components for a Low Waste Ion Exchange treatment system to treat nitrates in the water to below the MCL. The DWID has two WIFA loans totaling \$788,000, however, due to unanticipated costs, the DWID needs an additional \$600,000 of funding to construct the improvements and satisfy the ADEQ Consent Order.

The prepackage nitrate treatment plan has already been purchased and is currently on site. To treat the water coming from both wells on site, a 30,000-gallon equalization tank will be installed to buffer the ion exchange treatment system and provide a more uniform composition feeding into the treatment system. The ion exchange system will take water from the equalization tank and feed treated water into the existing storage tanks on site.

Construction activities will include, saw cutting and removing existing pavement, onsite driveway improvements, grading and drainage, installing; the concrete pad, aluminum shade cover, electric and controls, and the Nitrate Treatment System, excavating two new ponds, installing berms and HDPE liner. In addition, the new 30,000-gallon steel tank will be installed and reconnected to the chemical injection shed, 500-feet of 2-inch and 3-inch PVC pipe and related appurtenances will be installed, and the existing fence will be removed and replaced with a new 6-inch chain link fencing and gate, gravel site cover, miscellaneous tie-ins, and all appurtenances. The life expectancy of the project is 20 years.

State of Existing Funds

Existing Funds

WIFA Loans	\$788,000.00
ADEQ/WIFA Small Drinking	
Water Grant	\$160,367.00
Funds Expended To Date:	
Loan	(\$268,242.50)
Grant	(\$155,666.99)
Balance	\$524,457.51

Remaining Project Cost

Construction Bid	\$1,000,943.59
Davis Bacon, AIS requirements	\$100,000.00
Total	\$1,100,943.59

Funding Shortfall

\$576,486.08

WIFA staff recommends up to \$20,000 in Technical Assistance funding to contract with Central Arizona Council of Governments to provide compliance assistance with Davis-Bacon and related act requirements

2.5 Funding Sources and Uses

Uses by Budget Item	WIFA Funding	Local Funding	Other: _____	Total By Use
Planning				
Design & Engineering				
Legal/Debt Authorization				
Financial Advisor				
Land/System Acquisition				
Equipment/Materials				
Construction/Installation/Improvement	\$600,000			\$600,000
Inspection & Construction Management				
Project Officer				
Administration				
Staff Training				
Capitalized Interest				
Other - Contingency				
Total by Source	\$600,000			
Total for Project				\$600,000

Engineering Costs Reasonable? ☐ Yes ☐ No ☒ N/A

Construction Costs Reasonable? ☒ Yes ☐ No ☐ N/A

Section 3: Legal Capability

Congressional District(s) 6
 Legislative District(s) 16

Type of Applicant: ☐ Association/Cooperative ☐ Corporation
 ☐ Limited Liability Corporation ☒ Political Subdivision
 ☐ Sole Proprietor ☐ Other

Significant Findings in Legal Structure Review? ☒ No ☐ Yes

Debt Authorized ☒ Yes ☐ No, Scheduled: _____

Authorized Amount: \$600,000

On April 24, 2023, the Board of Villa Grande Domestic Water Improvement District passed Resolution No. 2023-04 approving the application for financial assistance through WIFA for \$600,000 to further fund its DW project.

Significant Findings in Debt Authorization Review? X No Yes

Section 4: Managerial Capability

4.1 Managerial Review

Is there a history of managerial deficiencies? X No Yes

By-laws, rate ordinances, and connection ordinances in place? X Yes No

Does the organization have an established accounting/bookkeeping system? X Yes No

Villa Grande DWID uses the Quick Books accounting system.

Are terms of officials staggered? X Yes No

Is there a history of (or pending) recalls or removals of officials? X No Yes

Individual responsible for managing the proposed design or construction project:

 X System Manager Officer of the Organization Other:

Westland Resources will manage the proposed design and construction project.

Project manager experienced in managing similar design or construction projects? X Yes No

Westland Resources have managed several similar projects in Arizona, and is vetted by the State.

Individual responsible for day-to-day management of the system:

 X System Manager Officer of the Organization Other:

Day-to-day manager experienced in managing this or similar systems? X Yes No

Jack Cook has a Grade 3 certification in wastewater, and has been the system's operator for nine years

4.2 Potential Management Impacts

Significant management impacts as the result of the proposed project? X No Yes

Managerial impact because of any current or past litigation? X No Yes

4.3 Consultant Capacity

Significant findings in consultant capacity review? X No Yes

4.4 Conclusions

Management History: X Stable Unstable

Management Structure: X Satisfactory Unsatisfactory

Significant Findings in Managerial Review? X No Yes

Section 5: Technical Capability

5.1. Technical Review

Villa Grande DWID has had a consent order for nitrate exceedances from ADEQ since 2018. The existing loans and this additional loan will fund the design and construction of the nitrate treatment system which will bring the water system back into compliance with ADEQ.

Operators certified at appropriate level? X Yes No

Name	Title	Certification Grade	Total Years Experience	Time in Position
Jack C. Cook	Certified Operator	2 – Water Treatment 4- Water Distribution	20+	15 Years

Description of operating impacts due to project technology?

The system operator will receive training on the operation and maintenance of the new treatment process.

Additional comments on technical capability? X No Yes

Significant findings in Technical Review? X No Yes

5.2. Water Supply Adequacy

ADWR Compliance Status: ☒ Significant Compliance ☐ Significant **Non**-Compliance

Significant impact due to water rights adjudication? ☒ No ☐ Yes

Significant findings in Water Supply Review? ☒ No ☐ Yes

5.3. Readiness to Proceed

Project Development Milestones:

Task	Scheduled Date
Planning, Design & Specifications Completion	Complete
Approval to Construct	July 2023
Advertisement for Bids	Complete
Construction Commencement	July 2023
Approval of Construction Completion	December 2023
Initiate Operation	December 2023

All permits have been obtained other than ROW permit to be obtained by Contractor.

Licenses/Permits	Date Expected/Approved
APP Pond #1 and Pond #2	Approved July 2021
Approval to Construct (ATC)	July 2023
Approval of Construction (AOC)	December 2023

5.4. Environmental Review

- ☐ Not Applicable – For Planning Financial Assistance Only
☐ Categorical Exclusion
☒ Environmental Assessment – Finding of No Significant Impact
☐ Environmental Assessment – Environmental Impact Statement

An Environmental Assessment had been completed and a Finding of No Significant Impact was issued before the original loan (Loan No. 920296-20) was executed. There are no changes to the project scope of the original loan.

Section 6: Financial Capability (see Attachments A, B and C for detail)

Credit Rating: N/A: X Fitch: _____ Moody's: _____ S&P: _____

Historical Performance (See Attachment B for greater detail):

To conduct the historical performance analysis of Villa Grande DWID staff utilized Annual Financial Reports required under A.R.S. §48-251 for fiscal years (FY) 2018-2022, Pinal County Treasurer's Tax Distribution reports FY 2018-2022, operating budgets and rate sheets FY 2023-2024. There was no single audit required over the period reviewed.

Villa Grande DWID currently has four debt obligations outstanding:

- 2007 USDA loan, orig. amount \$202,000, matures in 2047
Purpose: water system improvements
- 2017 Promissory note-Shamp Trust, orig. amount \$19,000, matures in 2026
Purpose: purchase property to accommodate outflow pond (ion exchange process)
- 2020 WIFA Loan #920296-20, orig. amt \$360,000 (\$324,000 FP), matures in 2039
Purpose: design and construct a low waste ion exchange treatment process
- 2021 WIFA Loan #920314-21 orig. amt \$428,000 (\$374,600 FP), matures in 2041
Purpose: cost of switching from a Standard Ion Exchange pump-to-waste treatment process to a Low Waste Ion Exchange treatment alternative, as well as additional engineering costs.

Staff review has found that Villa Grande DWID (the District) has made its required debt service payments on the loans mentioned above. However, it did not meet the desired debt service coverage (DSC) level of 1.2x for fiscal year 2018 and 2021. As mentioned in the prior analysis for the 2021 WIFA loan *"the reasons for this shortfall in coverage are twofold. First, as a political subdivision, retained earnings are included in the annual budget as a source of funding. When preparing for a given year, if there are excess funds from the prior year that are not specifically earmarked for reserve, they are rolled forward, and revenues in the form of rates and tax levies are set according to need. Second, the District has been spending funds received from grants, technical assistance, and retained earnings attempting to resolve the ongoing issues with nitrates and other operational challenges. This spending has generally been categorized under expenses"* rather than being capitalized.

In FY 2019, the District did meet the DSC requirement due in large part to the timing of the receipt of the grant fund monies under their cash basis accounting. The funds for the 2018 extraordinary expenses were not disbursed until after the 2019 fiscal year began. Thus, the timing of cash receipts resulted in a significant shortfall in the DSC for 2018 while inflating the figure for 2019.

In FY 2020, the District met the required DSC as maintenance expense returned to a normal level and because of the District's proactive efforts to comply with the covenants of the 2020 WIFA loan. These steps included increasing the monthly user rate by 3% and increasing the required property tax levy resulting in \$11,796 of additional funding.

In FY 2021, the District did not meet the required DSC because of the increase in overall operating expense. This was corrected in FY 2022 with an increase in the tax levy and a decrease in operating expenses. Additionally, they did not have a user rate increase for FY 2022.

Projected Performance (See Attachment C for greater detail):

By utilizing similar methods from the 2020 and 2021 loans for projections and the rate increase that takes effect on July 1, 2023, the District is expected to meet the minimum 1.2x DSC for all five years projected.

As previously mentioned, the District has the ability to raise its rates and tax levies on the property owners within the district. The proposed rate increase is expected to be an 11.21% rate increase from its previous rate. This is taking into consideration that the average consumer uses 7,500 gallons of water. The District also has the ability to raise its user rates on an annual basis. For the projected tax levy, it is expected to continue to increase by 6% in order to meet the DSC. Revenues are projected to increase by 2% annually and expenses are expected to increase by 4% annually after FY 2023.

WIFA staff recommends \$475,000 in forgivable principal. WIFA Procedure III.20.1 (Additional Subsidy Procedure) guides the amount of forgivable principal a project may be eligible to receive. The proposed project will resolve an outstanding public health threat and with an LFC score of 80, the District is eligible for designation as a disadvantaged community (WIFA policy III.6). Therefore, the highest tier of forgivable principal was applied.

Section 7: WIFA Staff Recommendations

7.1 Financial Assistance Terms and Conditions (see Attachment A for greater detail)

Financial Assistance Amount: \$600,000 with \$475,000 in forgivable principal

Primary Repayment Source: Drinking Water System Revenues

Secondary Repayment Source: None

Loan Term: 20 Years

Frequency of Repayment:

☐ Semi-Annual ☒ Monthly ☐ Other:

Loan Structure: Standard Governmental - Level 3; Disadvantaged Community

Debt Service Reserve Fund Requirements:

☒ WIFA ☐ Local - *Separate* ☐ Local – *Not Separate* ☐ Surety ☐ None

Repair and Replacement Fund Requirements:

☐ Local - *Separate* ☒ Local – *Not Separate* ☐ None

Requirements Prior to Loan Execution:

Require Legal Opinion: ☒ Yes ☐ No

Other: In the resolution approving the execution of this Financial Assistance agreement, the District shall include a provision that states the body's intent to meet the obligation to annually set rates and tax levies such that 1.2x Debt Service Coverage will be achieved by net revenue of the system.

Requirements Prior to Construction: No Requirement

Requirement During Construction: No Requirement

Requirements Prior to Final Disbursements: No Requirement

Loan Category:

☐ Qualified, Pledged ☐ Qualified, Not Pledged ☒ Not Qualified

Policy Exceptions: None

7.2 Technical Terms and Conditions

Observation Schedule B:

Observation 1: Upon borrower notification of construction commencement

Additional Observations: at least one site observation within each 12-month period

Final Observation: 80% construction budget disbursement

Withholdings:

10% (released after deliverables received) ☒ Yes ☐ No

Requirements Prior to Loan Execution: No Requirement

Requirements Prior to Construction:

Submittal of Construction Bids ☒ Yes ☐ No

Project Publicity/Signage X Yes No

Other: None

Requirements during Construction:

Prior Review of Changes in Project Scope X Yes No

Other: None

Requirements Prior to Releasing Withholdings:

10% Withholding

Require Plan of Operation X Yes No

Require Final Approval X Yes No

Other: None

Policy Exceptions: None

7.3 Additional Notice and Reporting Requirements

Other: Wage rate reporting requirements; Use of American Iron and Steel requirements

Villa Grande Domestic Water Improvement District

Fiscal Impact of WIFA Financial Assistance

Total Requested.....	\$600,000.00
Forgivable Principal.....	\$475,000.00
WIFA Funded Amount (Loan Amount to be Repaid).....	\$125,000.00
Term.....	20
Combined Interest & Fee Rate	
Interest Rate Index.....	4.00%
Subsidy Rate Index.....	75.00%
Combined Interest & Fee Rate.....	3.000%
Year Principal Repayments Begin	2
Coverage Requirement.....	20.00%
Debt Service Reserve Requirement.....	\$8,726.74
# of Years Debt Service Reserve Funded.....	5
 Annual Level Debt Service Payments to WIFA.....	 \$8,726.74
 Annual Debt Service Reserve Deposit	
Prior to Debt Service Reserve Requirement.....	1,745.35
 Annual Replacement Fund Deposit -- Held Locally	
After Debt Service Reserve Requirement.....	1,745.35

Annual Fiscal Impact

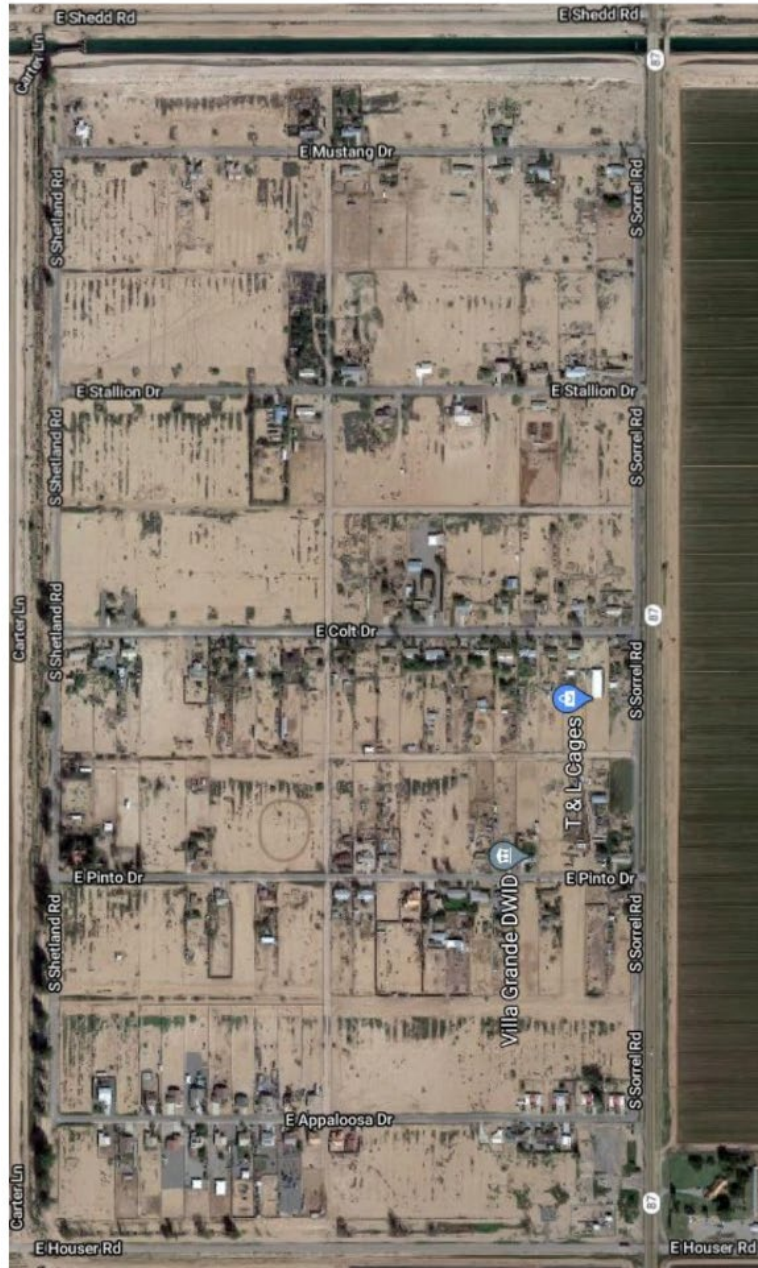
Year	Annual Debt Service	Reserve Fund Deposit	Replacement Fund Deposit	Total Annual Fiscal Impact
1	3,750.00	1,745.35	0.00	5,495.35
2	8,726.74	1,745.35	0.00	10,472.08
3	8,726.74	1,745.35	0.00	10,472.08
4	8,726.74	1,745.35	0.00	10,472.08
5	8,726.74	1,745.35	0.00	10,472.08
6	8,726.74	0.00	1,745.35	10,472.08
7	8,726.74	0.00	1,745.35	10,472.08
8	8,726.74	0.00	1,745.35	10,472.08
9	8,726.74	0.00	1,745.35	10,472.08
10	8,726.74	0.00	1,745.35	10,472.08
11	8,726.74	0.00	1,745.35	10,472.08
12	8,726.74	0.00	1,745.35	10,472.08
13	8,726.74	0.00	1,745.35	10,472.08
14	8,726.74	0.00	1,745.35	10,472.08
15	8,726.74	0.00	1,745.35	10,472.08
16	8,726.74	0.00	1,745.35	10,472.08
17	8,726.74	0.00	1,745.35	10,472.08
18	8,726.74	0.00	1,745.35	10,472.08
19	8,726.74	0.00	1,745.35	10,472.08
20	8,726.74	0.00	1,745.35	10,472.08
	\$169,557.97	\$8,726.74	\$26,180.21	\$204,464.91

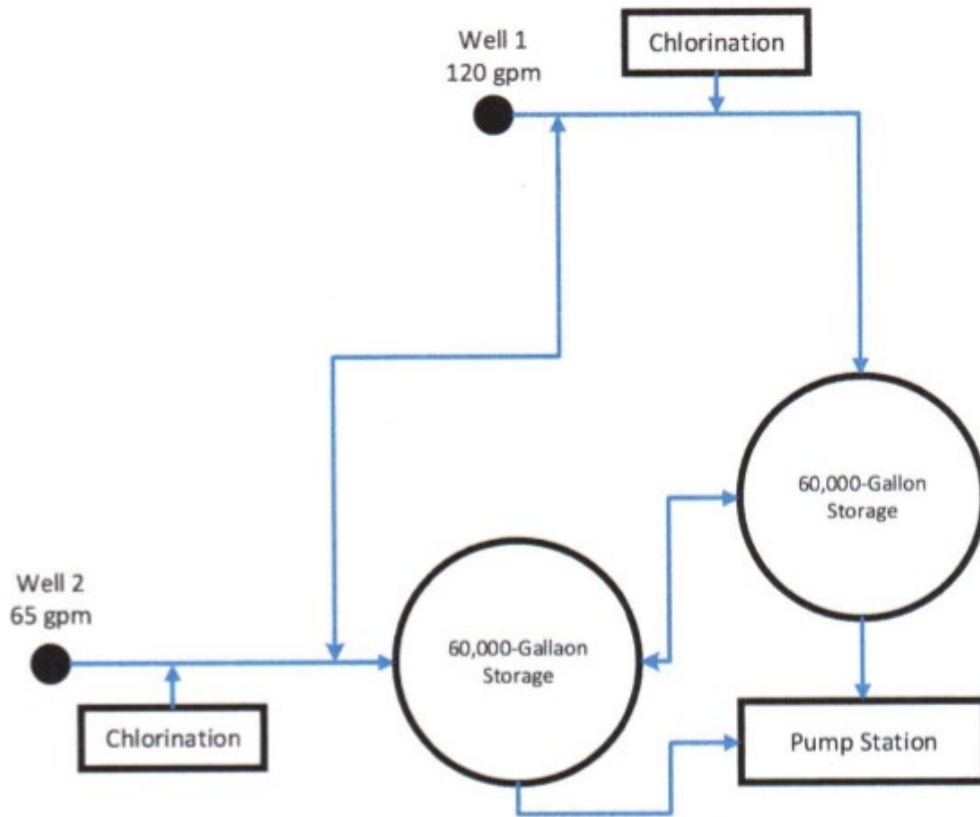
Villa Grande Domestic Water Improvement District

	2018					2019					2020					2021					2022				
	Historical					Historical					Historical					Historical					Historical				
Revenues																									
Operations		97,898	86,137	113,117	118,869	104,510																			
Other Income		1,464	899	954	261	120																			
Interest Income		-	-	-	-	-																			
Total Revenues		99,362	87,036	114,071	119,130	104,630																			
Expenses																									
Operating Expenditures		105,315	67,007	62,446	93,149	47,810																			
Maintenance Expenditures		59,312	(24,684)	19,606	14,304	23,079																			
Other Expenditures		390	7,240	4,899	6,308	5,478																			
Total Expenses		165,017	49,563	86,951	113,761	76,367																			
Net Revenues Available for Debt Service		(65,655)	37,473	27,120	5,369	28,263																			
Prior Debt Service Surcharge																									
Debt Service																									
Debt Service		13,360	13,360	13,924	17,515	19,698																			
Total Debt Service		13,360	13,360	13,924	17,515	19,698																			
Revenues after Debt Service		(79,015)	24,113	13,197	(12,146)	8,565																			
Current Debt Service Coverage																									
		(4.91)	2.80	1.95	0.31	1.43																			

Villa Grande Domestic Water Improvement District									
	Year over Year								
	2023	2024	2025	2026	2027				
	Projected	Projected	Projected	Projected	Projected				
Revenues									
Operations	132,000	134,640	137,333	140,079	142,881				
Other Income	-	-	-	-	-				
Interest Income	-	-	-	-	-				
Total Revenues	132,000	134,640	137,333	140,079	142,881				
Expenses									
Operating Expenditures	69,200	70,196	71,157	72,078	72,954				
Maintenance Expenditures	25,000	25,750	26,523	27,318	28,138				
Other Expenditures	4,600	4,692	4,786	4,882	4,979				
Total Expenses	98,800	100,638	102,465	104,278	106,071				
Net Revenues Available for Debt Service	33,200	34,002	34,867	35,801	36,810				
Debt Service Surcharge or Rate Increase	-	-	-	-	-				
Debt Service									
Current Debt Service	19,698	19,698	19,698	19,698	19,698				
WIFA Proposed Debt Service	3,750	8,727	8,727	8,727	8,727				
Total Debt Service	23,448	28,425	28,425	28,425	28,425				
Revenues after Debt Service	9,752	5,577	6,443	7,377	8,385				
Projected Debt Service Coverage	1.42	1.20	1.23	1.26	1.29				

ATTACHMENT D – SERVICE AREA





Existing System Schematic

ATTACHMENT F – COST ESTIMATES

Item No.	Item Description	Units of Measure	Estimated Quantity	Unit Price	Total
1	Mobilization and demobilization	LS	1	\$35,111.19	\$35,111.19
2	Furnish survey and geotechnical testing per plans and specifications complete.	LS	1	\$15,987.03	\$15,987.03
3	Furnish all equipment and labor to remove and legally dispose of existing concrete pads per plans and specifications.	LS	1	\$7,189.85	\$7,189.85
4	Furnish all equipment, materials, and labor to excavate and grade evaporation ponds per plans and specifications complete.	LS	1	\$28,729.38	\$28,729.38
5	Furnish all equipment, materials, and labor to grub and grade pond access road per plans and specifications complete.	LS	1	\$23,423.30	\$23,423.30
6	Furnish all equipment, labor, and materials to provide site grading including drainage and detention basins per plans and specifications.	LS	1	\$21,547.03	\$21,547.03
7	Furnish all equipment, labor and materials to install hand placed riprap.	SY	355	\$ 36.27	\$12,875.85
8	Remove and return existing 6-foot chain link fence to Owner per plans and specifications complete.	LF	338	\$ 13.53	\$ 4,573.14
9	Furnish and install new 6-foot chain link fence and 24-foot double swing gate including appurtenances per plans and specifications complete.	LF	494	\$ 72.57	\$35,849.58
10	Furnish all equipment, materials, and labor to saw cut, remove, and dispose of existing asphalt paving per plans and specifications complete.	SF	160	\$ 7.50	\$ 1,200.00
11	Furnish and install new welded 30,000-gallon storage tank including all appurtenances, valves, steel ring wall, gravel, over-ex, ABC, and coatings per plans and specifications complete.	LS	1	\$99,505.21	\$99,505.21
12	Furnish and install new concrete pad for Owner-supplied nitrate removal system including subgrade prep per plans and specifications complete.	LS	1	\$24,925.40	\$24,925.40

Item No.	Item Description	Units of Measure	Estimated Quantity	Unit Price	Total
13.	Furnish all equipment, materials , and labor to offload and install Owner-supplied AdEdge Nitrate Removal System per plans and manufacturer's specifications.	LS	1	\$ 1,983.83	\$1,983.83
14.	Furnish and install pre-engineered aluminum shade structure for nitrate system per plans and specifications complete.	LS	1	\$15,635.55	\$15,635.55
15.	Furnish all materials, equipment, and labor to abandon or remove existing piping per plans and specifications complete.	LS	1	\$ 0.00	\$ 0.00
16.	Furnish all materials, equipment & labor to rotate existing well manifold including all connections, pipe, fittings and appurtenances per plans and specifications complete.	LS	1	\$ 3,127.11	\$ 3,127.11
17.	Furnish and install new site piping including all valves, fittings, bends, connections and appurtenances per plans and specifications complete.	LS	1	\$182,172.90	\$182,172.90
18.	Furnish all equipment, materials, and labor to relocate existing chemical shed including all connections and appurtenances.	LS	1	\$ 1,893.78	\$ 1,893.78
19.	Furnish and install new 60-mil HPDE geosynthetic lining system for ponds per plans and manufacturers' specifications.	SF	23,408	\$ 3.83	\$93,482.64
20.	Furnish and install new post barricades per plans and specifications complete.	EA	3	\$ 1,069.06	\$ 3,207.18
21.	Furnish and install all electrical and control per electrical plans and specifications complete.	LS	1	\$288,194.39	\$288,194.39
22.	Furnish and install all conduit and wiring per AdEdge single line diagram.	LS	1	\$14,384.70	\$14,384.70
23.	Furnish all equipment, materials, and labor to complete final grade and install gravel for driveway and access driveway per plans and specifications complete.	SY	1,445	\$ 13.64	\$19,709.80
24.	Furnish all equipment, materials, and labor to complete final grade and install site gravel per plans and specifications complete.	SY	3,917	\$ 16.61	\$65,061.37
25.	Furnish and install Storm Water Pollution Plan per plans and specifications.	LS	1	\$ 3,127.11	\$ 3,127.11
26.	Furnish and provide Pinal County ROW Permit and Dust permit including traffic control plan as required.	LS	1	\$ 1,876.27	\$ 1,876.27
27.	Furnish all equipment, materials, and labor to complete all testing and disinfection per ADEQ requirements per plans and specifications complete.	LS	1	\$ 0.00	\$ 0.00
TOTAL LUMP SUM BID					\$1,004,773.59

Agenda Item 10

AGENDA ITEM:

Approval of Loan Resolution 2024-003 – Mountain Glen Water Service, Inc. – DWSRF –\$1,113,600

ACTION REQUIRED:

Approve

PREVIOUS ACTION:

✓ Federal Programs Committee Recommended Board Approval on June 29, 2023

STAFF CONTACT:

Scott Connelly

ATTACHMENTS:

- Executive Summary (see board book)
- Loan Resolution – 2024-003 – Mountain Glen Water Service, Inc (see board book)
- Due Diligence Report DW 051-2023

STAFF COMMENTS:


None

Mountain Glen Water Service, Inc
DW 051-2023

Board Action:
July 19, 2023

Project Status Committee Member Certifications:

I have reviewed the application and financial documentation submitted by the applicant and have determined that the request for financial assistance satisfies the requirements for Board consideration.

Signature:  Title: Sr. Loan Officer Date: 6/19/2023

I have reviewed the application and technical documentation submitted by the applicant and have determined that the request for financial assistance satisfies the requirements for Board consideration.

Signature:  Title: Environmental Program Specialist Date: 6/19/2023

Director Certification:

I have reviewed the staff analysis of the application and related documentation and have determined that the request for financial assistance satisfies the requirements for Board consideration.

Signature:  Date: 6/22/2023

Section 1: Applicant Information

1.1 Name of Applicant

Mountain Glen Water Service, Inc

1.2 Authorized Representative

Bryan Thomas, President

1.3 Address

6808 N Dysart Rd, Ste 116 Glendale, AZ 85307

1.4 Applicant Description

Type of Applicant: _____ Governmental X Non-Governmental

Type of Project: X Drinking Water Wastewater

System Identification

PWS Number: AZ0409090

Community or Non-Community System: Community

1.5 Project Priority List

<u>PPL Rank*</u>	<u>Funding Cycle</u>	<u>Population Served</u>	<u>Subsidy*</u>
41	2023	1,053	80%

*Per the proposed PPL to be presented for approval at the July 2023 WIFA Board meeting.

1.6 Previous Board Actions

September 21, 2005 - The Board adopted Loan Resolution 2005-22 to award \$182,993.47 (Loan No. 920107-06) to fund the pump removal and abandonment of the existing Linden West drinking water well and replacement with a new 500-ft deep water production well with a 20HP 150-gpm pump.

Section 2: Project Information

2.1 Community Description

Mountain Glen Water Service, Inc. services 382 connections including 378 residential and 4 commercial connections. The company is located northwest of Show Low in Clay Springs and serves the communities of Pinedale, Linden and Clay Springs in Navajo County.

Nearby Show Low has a population of nearly 12,000 residents, but its trade area population numbers over 146,000. Seasonal spikes in the population from tourism activity and the second home market causes the trade area population to swell to well over 170,000. Show Low is experiencing dynamic growth as its population has increased 40% since 2000. Both per capita and household incomes are on the rise by a total of 22.3% and 25.8% respectively since 2000.

The major employers for the area consist of public services, Walmart, Home Depot, Lowes, Chase Bank, National Bank of Arizona, Forest Energy Corporation, and Frontier Communication.

2.2 Current Condition

The distribution system consists of above and below ground piping, fire hydrants, water storage, wells, booster pumps and associated ancillary support equipment. The Mountain Glen system is subdivided into two subsystems separated by a single isolation valve. The systems are designated as Old Linden and Linden Trails. The system includes 50,325 linear feet of waterlines that have pipe diameters from 2 inches to 6 inches. Pipeline materials include PVC and asbestos cement (AC), the majority of pipe is C900 PVC. There are 6 fire hydrants in Linden Trails. The system includes two water delivery sites: one in Old Linden and another in Linden Trails. Each site includes a submersible well, reservoir and booster pump station. Old Linden Well has an 80-gpm capacity and discharges directly to a 74,000-gallon reservoir located adjacent to the well. Linden Trails Well has 150 gpm capacity and pumps directly to a 150,000-gallon reservoir located adjacent to the well. The system includes three booster stations ranging from 5 to 40 horsepower.

Type & Number of Connections

Type of Connection	Current	Prior Year	2 Years Prior	3 Years Prior	4 Years Prior
Residential	378	374	369	358	352
Commercial	4	4	4	4	3
Industrial	0	0	0	0	0
Other	0	0	0	0	0
Total	382	378	373	362	355

2.3 Problem

Mountain Glen water distribution system is in need of a redundant water source in the event of equipment failure at their existing plant site. The system will not meet minimum requirements for supply, storage and pumping capacities in the future and, in some cases, the

distribution system lacks adequate infrastructure to supply reliable service to existing customers. To optimize system reliability, infrastructure redundancy and capital and operational costs, it is recommended a new water campus be constructed for upgrading the entire Mountain Glen water system to meet current and future water demands.

2.4 Solution

The project includes construction of a new water campus including a land purchase, new well, well pump, 150,000-gallon storage tank, boosters, pressure tank, generator transfer switch and an inline booster to address overall system redundancy to allow continued water delivery to customers in the event of a system failure of existing infrastructure. The specific location of the project has not yet been determined. As part of the project, the company will need to purchase land for the new water campus. The life expectancy of the infrastructure is 20+ years.

WIFA Staff recommends up to \$50,000 in Technical Assistance to complete an Environmental Information Document once the location of the water campus is determined.

2.5 Funding Sources and Uses

Uses by Budget Item	WIFA Funding	Local Funding	Other: _____	Total By Use
Planning				
Design & Engineering	\$37,000			\$37,000
Legal/Debt Authorization				
Financial Advisor				
Land/System Acquisition	\$143,760			\$143,760
Equipment/Materials	\$466,420			\$466,420
Construction/Installation/Improvement	\$466,420			\$466,420
Inspection & Construction Management				
Project Officer				
Administration				
Staff Training				
Capitalized Interest				
Other - Contingency				
Total by Source	\$1,113,600			
Total for Project				\$1,113,600

Engineering Costs Reasonable? X Yes No N/A

Construction Costs Reasonable? ☒ Yes ☐ No ☐ N/A

Section 3: Legal Capability

Congressional District(s) 2

Legislative District(s) 7

Type of Applicant: ☐ Association/Cooperative ☒ Corporation
☐ Limited Liability Corporation ☐ Political Subdivision
☐ Sole Proprietor ☐ Other

Significant Findings in Legal Structure Review? ☐ No ☐ Yes

Debt Authorized ☒ Yes ☐ No, Scheduled: _____

Authorized Amount: \$1,113,600

On September 20, 2022, ACC decision No. 78711 approved Mountain Glen Water Service, Inc. to seek a financial assistance loan with WIFA for \$1,113,600.

Significant Findings in Debt Authorization Review? ☒ No ☐ Yes

Section 4: Managerial Capability

4.1 Managerial Review

Is there a history of managerial deficiencies? ☒ No ☐ Yes

By-laws, rate ordinances, and connection ordinances in place? ☒ Yes ☐ No

Does the organization have an established accounting/bookkeeping system? ☒ Yes ☐ No

The company uses the NARUC system for accounting and QuickBooks software.

Are terms of officials staggered? ☐ Yes ☒ No

The corporate officers are determined by the Board of Directors in accordance with the corporate by-laws.

Is there a history of (or pending) recalls or removals of officials? ☒ No ☐ Yes

Individual responsible for managing the proposed design or construction project:

☒ System Manager ☐ Officer of the Organization ☐ Other:

Engineer Ken Knickerbocker

Project manager experienced in managing similar design or construction projects? ☒ Yes ☐ No

Mr. Knickerbocker has over four years of experience managing the system.

Individual responsible for day-to-day management of the system:
☒ System Manager ☐ Officer of the Organization ☐ Other:

Contracted certified operator Jason Craven

Day-to-day manager experienced in managing this or similar systems? ☒ Yes ☐ No

Mr. Craven has over four years' experience managing the system.

4.2 Potential Management Impacts

Significant management impacts as the result of the proposed project? ☒ No ☐ Yes

Managerial impact because of any current or past litigation? ☒ No ☐ Yes

4.3 Consultant Capacity

Significant findings in consultant capacity review? ☒ No ☐ Yes

4.4 Conclusions

Management History: ☒ Stable ☐ Unstable

Management Structure: ☒ Satisfactory ☐ Unsatisfactory

Significant Findings in Managerial Review? ☒ No ☐ Yes

Section 5: Technical Capability

5.1. Technical Review

Compliance Status: ☐ Significant Compliance ☒ Significant *Non*-Compliance

According to a recent Compliance Status Report from ADEQ, the water system is currently out of compliance. The Stage 2 Disinfection Byproducts sample was inadvertently missed last year. Since this sample has to be taken during the system's warmest month, they can't take the sample again until August. They are planning to submit this missed sample in August 2023.

Other than this missed report, the system has a history of compliance.

Recent Inspection: ___ Significant Compliance X Significant *Non*-Compliance

Operators certified at appropriate level? X Yes ___ No

Name	Title	Certification Grade	Total Years Experience	Time in Position
Jason Craven	Certified Operator	D2	15	4 years

Description of operating impacts due to project technology?

The water system plans to monitor and provide repairs and maintenance at an additional plant site. They will also incur additional power and chemicals expenses for the new plant site.

Additional comments on technical capability? X No ___ Yes

Significant findings in Technical Review? X No ___ Yes

5.2. Water Supply Adequacy

ADWR Compliance Status: X Significant Compliance ___ Significant *Non*-Compliance

Significant impact due to water rights adjudication? X No ___ Yes

Significant findings in Water Supply Review? X No ___ Yes

5.3. Readiness to Proceed

Project Development Milestones:

Task	Scheduled Date
Planning, Design & Specifications Completion	June 2023
Approval to Construct	August 2023
Advertisement for Bids	September 2023
Construction Commencement	December 2023
Approval of Construction Completion	December 2024
Initiate Operation	January 2025

Licenses/Permits	Date Expected/Approved
Approval to Construct	August 2023
Approval of Construction	December 2024

5.4. Environmental Review

In accordance with WIFA Procedure II.4.1, WIFA's Director has approved up to \$50,000 in Technical Assistance to fund the preparation of an Environmental Assessment for the project. WIFA anticipates that a Finding of No Significant Impact may be issued after the Environmental Assessment is completed. A 30-day public comment period will then be required before the disbursement of construction related funds.

Section 6: Financial Capability *(see Attachments A, B and C for detail)*

Credit Rating: N/A: X Fitch: Moody's: S&P:

Historical Performance *(See Attachment B for greater detail):*

To perform a historical analysis of Mountain Glen Water Service, Inc. (MG), WIFA Staff reviewed ACC annual reports for calendar year 2018 to 2022. As part of the analysis, staff reviewed operating revenues and operating expenses for the last five years and found that MG had a net income ranging from \$51,846 to \$72,367. Additionally, MG had one loan with WIFA from 2006 that was paid in full in 2018 and no other debt to report. No single audits were required.

Projected Performance *(See Attachment C for greater detail):*

MG is expected to exceed the 1.2x DSC requirement. WIFA Staff annualized the 2023 YTD financials and adjusted for historical averages/trends. For the five-year forecast period revenues and operating expenses were projected to increase by 1% and 4% respectively. Additionally, MG was approved for a rate increase to take effect 30 days after the ACC decision. As part of the ACC decision, MG was also given permission to implement a surcharge to fund the loan. Based on this analysis, MG will exceed the DSC ranging from 1.38 to 1.83.

With an LFC score of 60, MG is eligible for designation as a disadvantaged community per WIFA Policy III.6. Applying WIFA Procedure III.20.1 (Additional Subsidy Procedure), staff recommends \$527,268 in forgivable principal.

Section 7: WIFA Staff Recommendations

7.1 Financial Assistance Terms and Conditions *(see Attachment A for greater detail)*

Financial Assistance Amount: \$1,113,600 with \$527,268 in forgivable principal

Primary Repayment Source: Drinking Water Revenues

Secondary Repayment Source: None

Loan Term: 20 years

Frequency of Repayment:

☐ Semi-Annual ☒ Monthly ☐ Other:

Loan Structure: Non-Governmental - Level 2; Disadvantaged Community

Debt Service Reserve Fund Requirements:

☒ WIFA ☐ Local - *Separate* ☐ Local – *Not Separate* ☐ Surety ☐ None

Repair and Replacement Fund Requirements:

☐ Local - *Separate* ☒ Local – *Not Separate* ☐ None

Requirements Prior to Loan Execution:

Require Legal Opinion: ☒ Yes ☐ No

Other: No Requirement

Requirements Prior to Construction: No Requirement

Requirement during Construction: No Requirement

Requirements Prior to Final Disbursements: No Requirement

Loan Category:

☐ Qualified, Pledged ☐ Qualified, Not Pledged ☒ Not Qualified

Policy Exceptions: None

7.2 Technical Terms and Conditions

Observation Schedule B:

Observation 1: Upon borrower notification of construction commencement

Additional Observations: at least one site observation within each 12-month period

Final Observation: 80% construction budget disbursement

Withholdings:

10% (released after deliverables received) ☒ Yes ☐ No

Requirements Prior to Loan Execution: No Requirement

Requirements Prior to Construction:

Submittal of Construction Bids ☒ Yes ☐ No

Project Publicity/Signage ☒ Yes ☐ No

Other: An Environmental Assessment will need to be completed prior to construction funds being released.

Requirements during Construction:

Prior Review of Changes in Project Scope ☒ Yes ☐ No

Other: No Requirement

Requirements Prior to Releasing Withholdings:

10% Withholding

Require Plan of Operation ☒ Yes ☐ No

Require Final Approval ☒ Yes ☐ No

Other: No Requirement

Policy Exceptions: None

7.3 Additional Notice and Reporting Requirements

Other: Wage rate reporting requirements; Use of American Iron and Steel requirements

Mountain Glen Water Service, Inc.

Fiscal Impact of WIFA Financial Assistance

Total Requested.....	\$1,113,600.00
Forgivable Principal.....	\$527,268.00
WIFA Funded Amount (Loan Amount to be Repaid).....	\$586,332.00
Term.....	20
Combined Interest & Fee Rate	
Interest Rate Index.....	6.00%
Subsidy Rate Index.....	80.00%
Combined Interest & Fee Rate.....	4.800%
Year Principal Repayments Begin	1
Coverage Requirement.....	20.00%
Debt Service Reserve Requirement.....	\$46,254.25
# of Years Debt Service Reserve Funded.....	5
 Annual Level Debt Service Payments to WIFA.....	 \$46,254.25
 Annual Debt Service Reserve Deposit	
Prior to Debt Service Reserve Requirement.....	9,250.85
 Annual Replacement Fund Deposit -- Held Locally	
After Debt Service Reserve Requirement.....	9,250.85

Annual Fiscal Impact

Year	Annual Debt Service	Reserve Fund Deposit	Replacement Fund Deposit	Total Annual Fiscal Impact
1	46,254.25	9,250.85	0.00	55,505.10
2	46,254.25	9,250.85	0.00	55,505.10
3	46,254.25	9,250.85	0.00	55,505.10
4	46,254.25	9,250.85	0.00	55,505.10
5	46,254.25	9,250.85	0.00	55,505.10
6	46,254.25	0.00	9,250.85	55,505.10
7	46,254.25	0.00	9,250.85	55,505.10
8	46,254.25	0.00	9,250.85	55,505.10
9	46,254.25	0.00	9,250.85	55,505.10
10	46,254.25	0.00	9,250.85	55,505.10
11	46,254.25	0.00	9,250.85	55,505.10
12	46,254.25	0.00	9,250.85	55,505.10
13	46,254.25	0.00	9,250.85	55,505.10
14	46,254.25	0.00	9,250.85	55,505.10
15	46,254.25	0.00	9,250.85	55,505.10
16	46,254.25	0.00	9,250.85	55,505.10
17	46,254.25	0.00	9,250.85	55,505.10
18	46,254.25	0.00	9,250.85	55,505.10
19	46,254.25	0.00	9,250.85	55,505.10
20	46,254.25	0.00	9,250.85	55,505.10
	\$925,085.01	\$46,254.25	\$138,762.75	\$1,110,102.02

Mountain Glen Water Service, Inc.

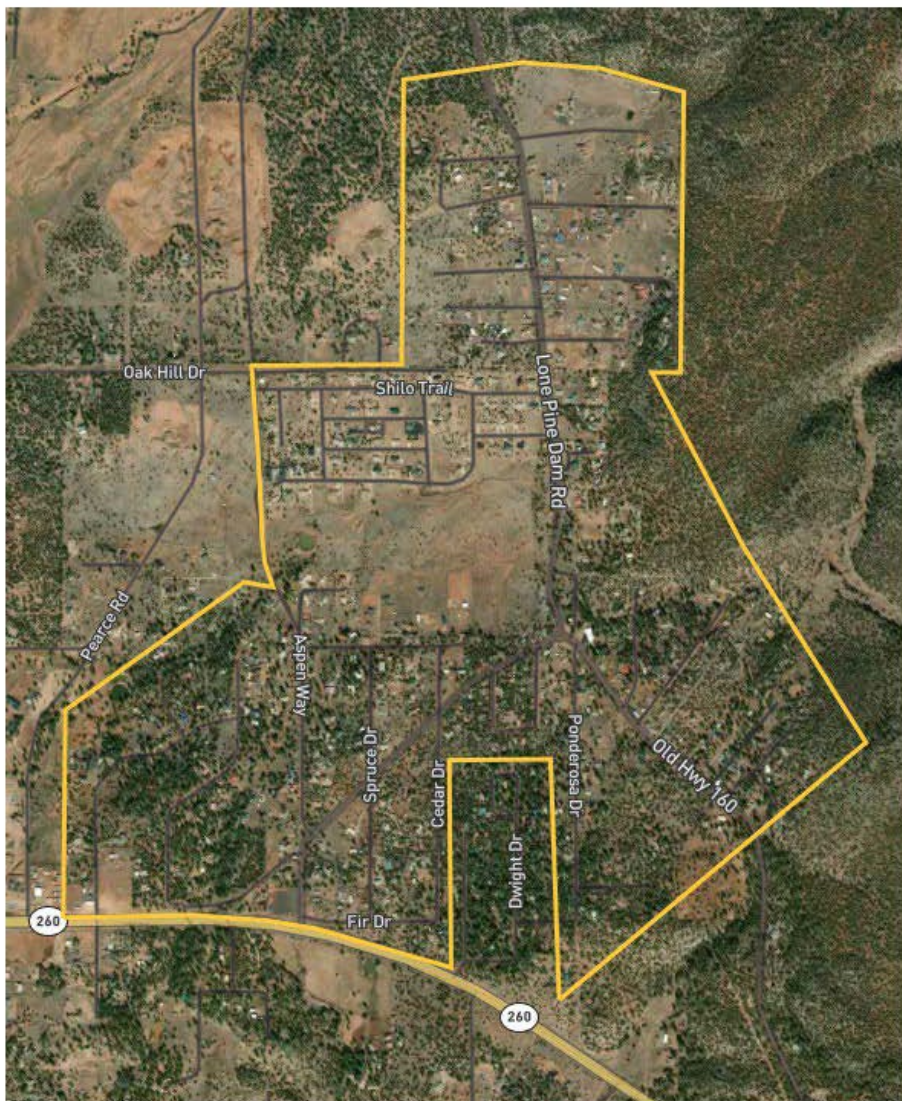
	2018	2019		2020		2021		2022		Year over Year			
	<i>Historical</i>	<i>Historical</i>	<i>Historical</i>	<i>Historical</i>	<i>Historical</i>	<i>Historical</i>	<i>Historical</i>	<i>Historical</i>	<i>Historical</i>	2019	2020	2021	2022
										%	%	%	%
Revenues													
Operations	191,035	191,504	216,438	214,143	217,282					0%	13%	-1%	1%
Other Income	3,136	2,586	2,493	3,188	4,609					-18%	-4%	28%	45%
Interest Income	-	-	-	-	-								
Total Revenues	194,171	194,090	218,931	217,331	221,892					0%	13%	-1%	2%
Expenses													
Operating Expenditures	148,875	149,514	157,948	155,406	167,683					0%	6%	-2%	8%
Maintenance Expenditures	6,991	1,240	6,421	1,790	10,115					-82%	418%	-72%	465%
Other Expenditures	128	1,104	942	344	2,857					763%	-15%	-63%	730%
Total Expenses	155,994	151,858	165,311	157,540	180,655					-3%	9%	-5%	15%
Net Revenues Available for Debt Service	38,177	42,232	53,620	59,791	41,237					11%	27%	12%	-31%
Prior Debt Service Surcharge	-	-	-	-	-								
Debt Service													
Debt Service	-	-	-	-	-								
Total Debt Service	-	-	-	-	-								
Revenues after Debt Service	38,177	42,232	53,620	59,791	41,237								
Current Debt Service Coverage	N/A	N/A	N/A	N/A	N/A								

Mountain Glen Water Service, Inc.

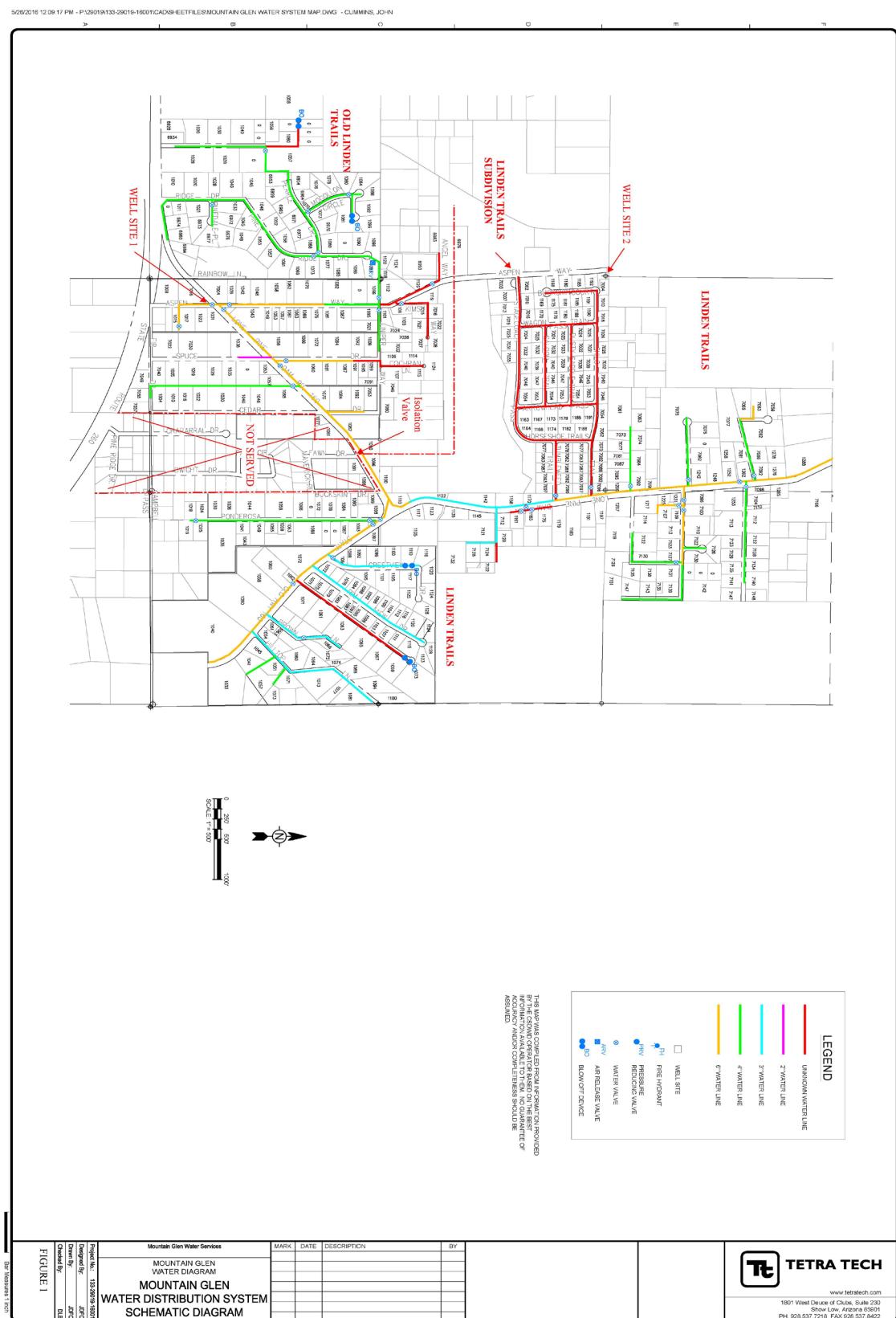
	2023 Projected	2024 Projected	2025 Projected	2026 Projected	2027 Projected	Year over Year				
						2023	2024	2025	2026	2027
						%	%	%	%	%
Revenues										
Operations	208,343	210,426	212,530	214,656	216,802	-4.11%	1.00%	1.00%	1.00%	1.00%
Other Income	3,200	3,232	3,264	3,297	3,330	-30.58%	1.00%	1.00%	1.00%	1.00%
Interest Income	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Total Revenues	211,543	213,658	215,795	217,953	220,132	-4.66%	1.00%	1.00%	1.00%	1.00%
Expenses										
Operating Expenditures	169,881	176,677	183,744	191,093	198,737	1.31%	4.00%	4.00%	4.00%	4.00%
Maintenance Expenditures	3,428	3,566	3,708	3,856	4,011	-66.11%	4.00%	4.00%	4.00%	4.00%
Other Expenditures	-	-	-	-	-	-100.00%	N/A	N/A	N/A	N/A
Total Expenses	173,310	180,242	187,452	194,950	202,748	-4.07%	4.00%	4.00%	4.00%	4.00%
Net Revenues Available for Debt Service	38,233	33,416	28,343	23,003	17,384	-7.28%	-12.60%	-15.18%	-18.84%	-24.43%
Debt Service Surcharge or Rate Increase	46,254	46,254	46,254	46,254	46,254					
Debt Service										
Current Debt Service	-	-	-	-	-					
WIFA Proposed Debt Service	46,254	46,254	46,254	46,254	46,254					
Total Debt Service	46,254	46,254	46,254	46,254	46,254					
Revenues after Debt Service	38,233	33,416	28,343	23,003	17,384	-7.28%	-12.60%	-15.18%	-18.84%	-24.43%
Projected Debt Service Coverage	1.83	1.72	1.61	1.50	1.38					

ATTACHMENT C – PROJECTED PERFORMANCE

ATTACHMENT D – SERVICE AREA



ATTACHMENT E – SYSTEM SCHEMATIC



**MOUNTAIN GLEN WATER SERVICE
W-03875A-22-0049
OPINION OF PROBABLE COST
SYSTEM UPGRADES AND CAPITAL IMPROVEMENTS**

Project	Description	% of Tot	Budget	Permits /Legal	Engineering	Contingency	Total Cost	Account
1	<u>New Water Campus</u>							
	Land purchase, survey, and grading	9.59%	\$ 85,000.00	\$ 671.18	\$ 2,876.48	\$ 17,709.53	\$ 106,257	303
	Well Drilling Consulting	0.90%	8,000.00	63.17	270.73	1,666.78	10,000.68	307
	Well Drilling, Development, and Casing	22.56%	200,000.00	1,579.24	6,768.19	41,669.49	250,016.92	307
	Well Pump & Equipment	5.64%	50,000.00	394.81	1,692.05	10,417.37	62,504.23	311
	New source sampling	0.39%	3,500.00	27.64	118.44	729.22	4,375.30	307
	Storage Tank	29.89%	265,000.00	2,092.50	8,967.85	55,212.07	331,272.42	330.1
	Boosters	1.13%	10,000.00	78.96	338.41	2,083.47	12,500.85	311
	Pressure Tank	5.64%	50,000.00	394.81	1,692.05	10,417.37	62,504.23	330.2
	Electrical	8.46%	75,000.00	592.22	2,538.07	15,626.06	93,756.35	311
	Fence	3.38%	30,000.00	236.89	1,015.23	6,250.42	37,502.54	303
	Piping	3.95%	35,000.00	276.37	1,184.43	7,292.16	43,752.96	331
	Total Water Campus		\$811,500.00	\$ 6,407.78	\$ 27,461.93	\$ 169,073.94	\$ 1,014,443.65	
2	<u>Inline Booster (btw Old Linden and Linden Trail)</u>							
	Inline Booster	8.46%	\$ 75,000.00	\$ 592.22	\$ 2,538.07	\$ 15,626.06	\$ 93,756.35	311
	Total Well 10 Costs	100.00%	\$886,500.00	\$ 7,000.00	\$ 30,000.00	\$ 184,700.00	\$ 1,108,200.00	

Account	Description	Amount
303	Land purchase, survey, and grading, fencing	\$ 143,760
307	Well Drilling Consulting, Development, Casing, Source sampling	264,392.89
311	Well Pump & Equipment, Electrical, Inline Booster	262,517.77
330.1	Storage Tank	331,272.42
330.2	Pressure Tank	62,504.23
331	Piping	43,752.96
		<u>\$ 1,108,200.00</u>

ACC Staff recommend generator transfer switch	\$5,400
Total Revised OPC	\$1,113,600

Agenda Item 11

AGENDA ITEM:

Approval of Loan Resolution Addendum A2024-004 – City of Buckeye – CWSRF – Amending Loan Resolution 2022-003 and Loan Number 910196-22 – Request to expand project scope and increase loan amount by \$5,570,000

ACTION REQUIRED:

Approve

PREVIOUS ACTION:

✓ Federal Programs Committee Recommended Board Approval on June 29, 2023

STAFF CONTACT:

Scott Connelly

ATTACHMENTS:

- Executive Summary (see board book)
- Loan Resolution Addendum A2024-004 – City of Buckeye
- Addendum Attachments A2024-004

STAFF COMMENTS:

None

Resolution Addendum A2024-004

Water Infrastructure Finance Authority of Arizona

Section 1: Prior Board and Staff Actions

Borrower: City of Buckeye
Resolution Number: 2022-003
Date of Board Action: August 27, 2021
Loan Agreement Number: 910196-22
Loan Amount: \$13,000,000
Combined Interest and Fee Rate: 1.848%
First Principal Payment: July 01, 2022
Final Principal Payment: July 01, 2041
Payment History: Current

Section 2: Borrower Request

The Water Infrastructure Finance Authority of Arizona (WIFA) has received a request from the City of Buckeye to expand the scope of work detailed within Loan Resolution No. 2022-003 and Loan No. 910196-22 and to increase the loan amount by \$5,750,000 making the total loan amount \$18,750,000.00. During the initial phase of the project, the City of Buckeye determined that additional facility upgrades are needed to build redundancy for a more resilient continuity of service. The additional improvements at the Water Reclamation Facility (WRF) will include the following:

1. Influent screens for rag & grit removal
2. Odor scrubbers for hydrogen sulfide gas mitigation
3. New generators for emergency power

Background

The City of Buckeye executed WIFA loan No. 910196-22 on October 1, 2021, to upgrade the WWTP and rehabilitate existing components to bring the facility back into compliance and meet permit requirements at a capacity of 3.5 MGD. Original construction plans included upgrades and repairs to two Sequencing Batch Reactors, rehabilitation of an anoxic basin, the addition of a new tertiary filter, and an upgrade to the headworks and solids handling system.

After reevaluating the needs of Sundance Water Reclamation Facility, it was found that the scope needed to be expanded to include the replacement of existing influent screens for rag and grit removal, odor scrubbers for hydrogen sulfide gas mitigation, and the replacement of backup generators for emergency power. All the WRF components are beyond their useful life. The additions to the project will help strengthen the WRF's resiliency for reliable continuous service to its customers.

Resolution Addendum A2024-004

Water Infrastructure Finance Authority of Arizona

State of the Existing Funds

Loan amount:	\$13,000,000.00
Funds Expended to Date: \$	0.00
New Projects	<u>\$ 5,750,000.00</u>
Balance	\$18,750,000.00

Analysis

The expanded project scope and increase in the loan amount is occurring after Resolution 2022-003 was approved and Loan Document No. 910196-22 was executed, but before any disbursements have taken place. Historically, when a loan has been executed but no disbursements have taken place, WIFA allows loans to be amended.

WIFA staff updated the financial analysis used in the approved resolution's due diligence analysis to include the increased borrowing requested by the City and the most current financial performance data. Based on staff's projection, the project will meet the required 1.2x debt service coverage for all years of the review period FY 2023-2027 for debt secured by a pledge of combined water and wastewater revenue (see Attachment D). The combined balance sheet for the two funds is also strong with FY 2022 reflecting an unrestricted equity fund position of over \$71 million.

Section 3: Amendments to Resolution No. 2022-003 and Loan No. 910196-22

Amend Exhibit A of the Loan Agreement to reflect an increase in the amount of financial assistance from \$13,000,000 to \$18,750,000. The original Exhibit A of the Loan Agreement will be replaced in its entirety with the attached Amended Exhibit A of the Loan Agreement.

Amend Exhibit B of the Loan Agreement to reflect the additional scope of the project by adding the following language to the end of the project description found in Section 2: " In addition, this loan will fund two additional screens for the odor scrubber, and two new generators, to build redundancy for a more resilient continuity of service"; and revising the Budget in Section 1 to reflect the increased amount of financial assistance from \$13,000,000 to \$18,750,000. The original Exhibit B will be replaced in its entirety with the attached Amended Exhibit B.

Amend Exhibit H of the Loan Agreement by replacing the \$13,000,000 amount shown on page 1 of that Exhibit with the new loan amount of \$18,750,000.

Amend Section 1.2 of the Loan Agreement to change the Local Borrower's Authorized Officer(s) from Roger Klingler to Dan Cotterman.

Resolution Addendum A2024-004
Water Infrastructure Finance Authority of Arizona

Section 4: Board Action on Resolution Addendum

WHEREAS, the Water Infrastructure Finance Authority of Arizona (the "*Authority*") has received from City of Buckeye a request to modify terms and conditions of Loan Resolution No. 2022-003 and Loan Agreement No. 910196-22.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY AS FOLLOWS:

The Authority's Director is hereby authorized and directed to amend Loan Resolution No. 2022-003 and Loan Agreement No. 910196-22 in accordance with Section 3 of this Resolution Addendum. Other than requirements amended by this Resolution Addendum, all requirements detailed in Resolution 2022-003 and Loan Agreement 910196-22 remain in effect.

This Resolution Addendum shall take effect immediately.

Dated: July 19, 2023

By: _____
Chairman

Attest: _____
Director

Resolution Addendum A2024-004

Water Infrastructure Finance Authority of Arizona

Attachment A – Request to Amend



CITY OF BUCKEYE
Water Resources Department

March 14, 2023

Ms. Lindsey Jones
Senior Program Administrator
Water Infrastructure Finance Authority of Arizona
100 N. 7th Ave Suite 130
Phoenix, AZ 85007

RE: CW003-2022 Sundance Water Reclamation Facility (WRF) Scope Revision and Request for Additional Funds

Dear Lindsey,

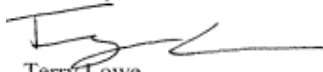
The city's original project scope for CW003-2022, Sundance WRF, includes the rehabilitation of SBR #1 and #2, Anoxic Basin #4, a new Tertiary Filter, and upgrades to the Headworks and Solids Handling. This scope was to get the WRF's capacity back up to its rated capacity of 3.4 million gallon per day (MGD).

The city is requesting to expand the scope of the initial rehabilitation project to include the replacement of existing influent screens for rag and grit removal, odor scrubbers for hydrogen sulfide gas mitigation, and the replacement of backup generators (including associated transfer switches) for emergency power. All these WRF assets are beyond their effective useful life. This additional scope will strengthen the WRF's resiliency for continued service to the community.

An accounting of the existing approved loan:	
Approved loan amount:	\$13,000,000
WIFA Reimbursements	0
Scope Addition	\$5,750,000
 New Project Total	 \$ 18,750,000

Please advise if additional information is required to secure WIFA's approval of this request.

Sincerely,



Terry Lowe,
Director
Water Resources Department

Resolution Addendum A2024-004
Water Infrastructure Finance Authority of Arizona

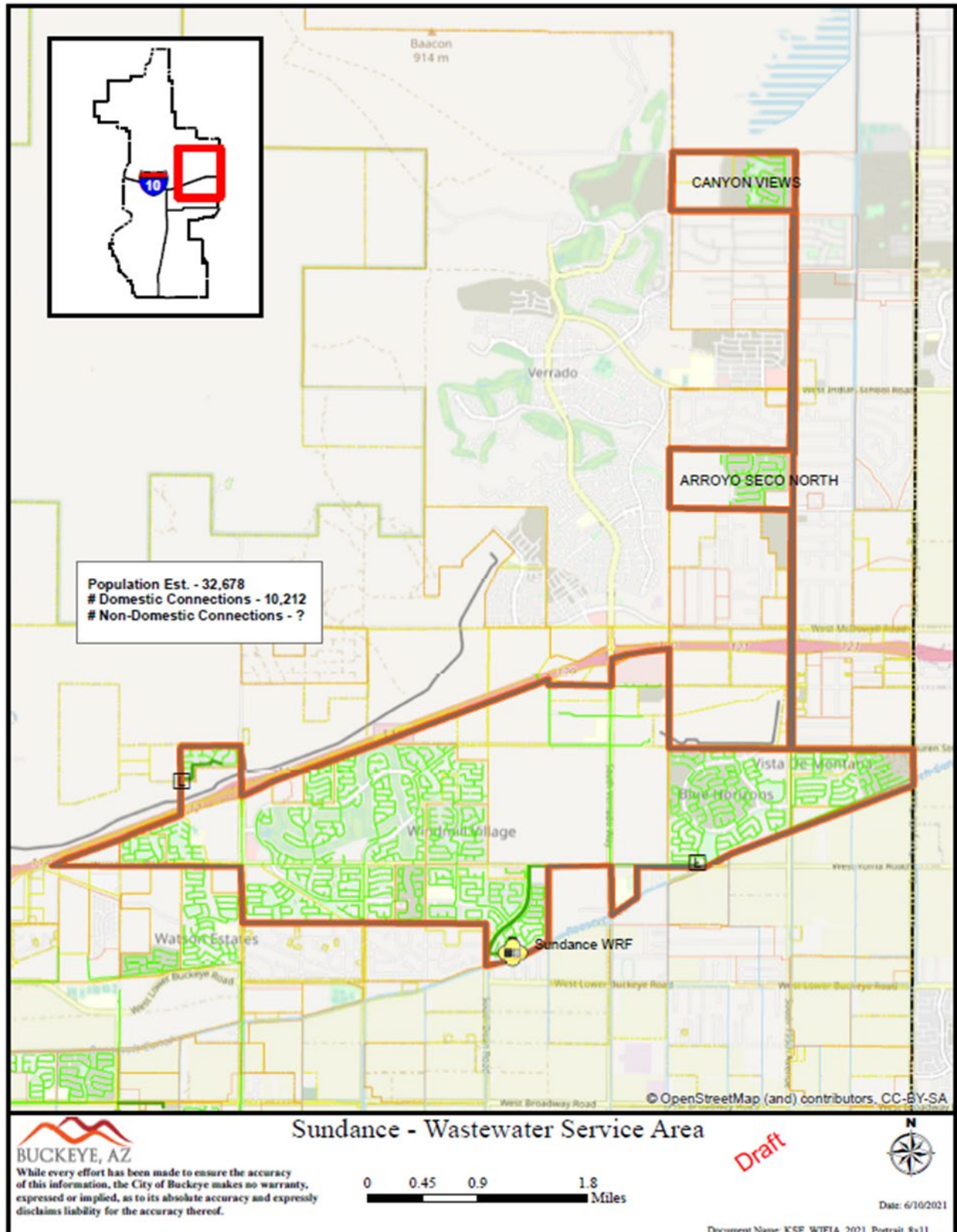
Attachment B – Cost Estimate

Description	Materials	Labor
(4) Influent screens for Rag and Grit Removal	2,090,000.00	
Odor Scrubbers for hydrogen sulfide gas mitigation (Carbon Activated Corp)		
COL H2S-60 (4MM H2S.2) 860 ft3 / GAC Installation Services	68,110.00	6,245.00
COL H2S-60 (4MM H2S .2) 925ft3 / Installation Services	70,070.00	6,245.00
K and H Electric		25,840.00
General Contractor costs	1,104,403.76	266,053.43
Replacement of Back up Generators		
(3) Generators	535,399.36	448,000.00
Concrete and Accessories	29,577.69	
General Contractor costs	1,622,584.46	
Sub Totals	\$ 5,520,145.27	\$ 752,383.43
Total	\$ 6,272,528.70	
WIFA Request	\$ 5,750,000.00	
Variance	\$ (522,528.70)	

Resolution Addendum A2024-004

Water Infrastructure Finance Authority of Arizona

Attachment C – Service Area



Resolution Addendum A2024-004

Water Infrastructure Finance Authority of Arizona

Attachment D – Financial Projections

City of Buckeye

	Year over Year Change									
	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027
	Projected	Projected	Projected	Projected	Projected	%	%	%	%	%
Revenues										
Operations	53,893,583	57,600,606	61,307,629	65,014,651	68,721,674	6.84%	6.88%	6.44%	6.05%	5.70%
Other Income	3,474,777	3,474,777	3,474,777	3,474,777	3,474,777	-62.20%	0.00%	0.00%	0.00%	0.00%
Interest Income	536,449	467,942	399,435	330,928	262,421	77.39%	-12.77%	-14.64%	-17.15%	-20.70%
Total Revenues	57,904,810	61,543,325	65,181,841	68,820,356	72,458,872	-3.39%	6.28%	5.91%	5.58%	5.29%
Expenses										
Operating Expenditures	17,326,308	18,535,868	19,831,601	21,219,764	22,707,077	3.18%	6.98%	6.99%	7.00%	7.01%
Other Expenditures	7,713,410	8,861,465	10,009,520	11,157,574	12,305,629	13.26%	14.88%	12.96%	11.47%	10.29%
Total Expenses	25,039,718	27,397,333	29,841,120	32,377,338	35,012,706	6.09%	9.42%	8.92%	8.50%	8.14%
Net Revenues Available for Debt Service	32,865,091	34,145,992	35,340,720	36,443,019	37,446,166	-9.55%	3.90%	3.50%	3.12%	2.75%
Debt Service Surcharge or Rate Increase	-	-	-	-	-					
Debt Service										
Current Debt Service	6,161,461	6,175,248	6,174,264	6,173,258	6,172,230					
WIFA Proposed Debt Service	543,198	553,235	1,161,824	1,161,824	1,161,824					
Total Debt Service	6,704,659	6,728,483	7,336,088	7,335,082	7,334,055					
Revenues after Debt Service	26,160,432	27,417,509	28,004,632	29,107,937	30,112,111	-14.53%	4.81%	2.14%	3.94%	3.45%
Projected Debt Service Coverage	4.90	5.07	4.82	4.97	5.11					

Resolution Addendum A2024-004

Water Infrastructure Finance Authority of Arizona

Attachment E – Amended Exhibit A

AMENDED Exhibit A of Loan Agreement

Section 1: Financial Assistance Terms and Conditions City of Buckeye 28-Sep-21

Loan Number.....	910196-22
Closing Date.....	10/01/21
First Payment Period.....	01/01/22
Financial Assistance Terms and Conditions	
Original Loan Amount as of the Closing Date.....	\$ 18,750,000.00
Loan Amount.....	\$ 18,750,000.00
Loan Term.....	20
Combined Interest & Fee Rate.....	1.848%
Total # of Payment Periods within Loan Term.....	40
<small>* Combined Interest and Fee Rate (CIFR) allocation: Fee = 1.5% (150 basis points); Interest = CIFR minus Fee.</small>	
Principal Repayments	
Period Principal Repayments Begin.....	2
First Principal Repayment Date.....	07/01/22
Final Principal Repayment Date.....	07/01/41
Combined Interest and Fee Payment Dates	
First Combined Interest and Fee Payment Date*.....	01/01/22
Final Combined Interest and Fee Payment Date.....	07/01/41
<small>* Actual Initial Combined Interest and Fee payment calculated only on dollar amount drawn against loan as of initial payment date</small>	
Debt Service Reserve Fund Requirements	
Total Reserve Amount.....	None
Annual Amount.....	None
Reserve Funded by (Date).....	Not Applicable
Repair and Replacement Fund Requirement	
Begin Funding on (Date).....	Not Applicable
Annual Amount.....	None
Semi-Annual Deposit.....	None
Annual Payment	
Year 1.....	\$ 543,197.74
Year 2.....	\$ 553,234.56
Years 3 through 5.....	\$ 1,161,824.08
Years 6 through 10.....	\$ 1,161,824.08
Years 11 through 15.....	\$ 1,161,824.08
Years 16 through 20.....	\$ 1,161,824.08

Resolution Addendum A2024-004

Water Infrastructure Finance Authority of Arizona

Attachment E – Amended Exhibit A (cont.)

Section 2: Loan Repayment Schedule City of Buckeye 28-Sep-21						
Year Period		Semi-Annual Payment Dates	Combined Interest and Fee Rate	Semi-Annual Combined Interest and Fee Payment	Annual Principal Repayment	Total Annual Payment
1	1	01/01/22	1.848%	0.00		
1	2	07/01/22	1.848%	0.00	543,197.74	543,197.74
2	3	01/01/23	1.848%	0.00		
2	4	07/21/23	1.848%	0.00	553,234.56	553,234.56
3	5	01/01/24	1.848%	163,095.13		
3	6	07/01/24	1.848%	163,095.14	835,633.81	1,161,824.08
4	7	01/01/25	1.848%	155,375.00		
4	8	07/01/25	1.848%	155,375.00	851,074.08	1,161,824.08
5	9	01/01/26	1.848%	147,512.23		
5	10	07/01/26	1.848%	147,512.23	866,799.62	1,161,824.08
6	11	01/01/27	1.848%	139,504.17		
6	12	07/01/27	1.848%	139,504.17	882,815.74	1,161,824.08
7	13	01/01/28	1.848%	131,348.14		
7	14	07/01/28	1.848%	131,348.14	899,127.80	1,161,824.08
8	15	01/01/29	1.848%	123,041.41		
8	16	07/01/29	1.848%	123,041.41	915,741.26	1,161,824.08
9	17	01/01/30	1.848%	114,581.21		
9	18	07/01/30	1.848%	114,581.21	932,661.66	1,161,824.08
10	19	01/01/31	1.848%	105,964.67		
10	20	07/01/31	1.848%	105,964.67	949,894.74	1,161,824.08
11	21	01/01/32	1.848%	97,188.92		
11	22	07/01/32	1.848%	97,188.92	967,446.24	1,161,824.08
12	23	01/01/33	1.848%	88,251.03		
12	24	07/01/33	1.848%	88,251.03	985,322.02	1,161,824.08
13	25	01/01/34	1.848%	79,147.98		
13	26	07/01/34	1.848%	79,147.98	1,003,528.12	1,161,824.08
14	27	01/01/35	1.848%	69,876.74		
14	28	07/01/35	1.848%	69,876.74	1,022,070.60	1,161,824.08
15	29	01/01/36	1.848%	60,434.19		
15	30	07/01/36	1.848%	60,434.19	1,040,955.70	1,161,824.08
16	31	01/01/37	1.848%	50,817.16		
16	32	07/01/37	1.848%	50,817.16	1,060,189.76	1,161,824.08
17	33	01/01/38	1.848%	41,022.44		
17	34	07/01/38	1.848%	41,022.44	1,079,779.20	1,161,824.08
18	35	01/01/39	1.848%	31,046.74		
18	36	07/01/39	1.848%	31,046.74	1,099,730.60	1,161,824.08
19	37	01/01/40	1.848%	20,886.71		
19	38	07/01/40	1.848%	20,886.71	1,120,050.66	1,161,824.08
20	39	01/01/41	1.848%	10,538.99		
20	40	07/01/41	1.848%	10,538.99	1,140,746.09	1,161,824.08
				3,259,265.74	18,750,000.00	22,009,265.74

Resolution Addendum A2024-004

Water Infrastructure Finance Authority of Arizona

Attachment F – Amended Exhibit B

Amended Exhibit B

Technical Terms and Conditions

Section 1 Budget

Uses by Budget Item	Amount Budgeted
Planning.....	\$0.00
Design & Engineering.....	\$698,125.00
Legal/Debt Authorization.....	\$0.00
Financial Advisor.....	\$0.00
Land/System Acquisition.....	\$0.00
Equipment/Materials.....	\$0.00
Construction/Installation/Improvement.....	\$18,051,875.00
Inspection & Construction Management.....	\$0.00
Project Officer.....	\$0.00
Administration.....	\$0.00
Staff Training.....	\$0.00
Capitalized Interest.....	\$0.00
Refinance Loan.....	\$0.00
Other.....	\$0.00
Total Budget.....	\$18,750,000.00

Section 2 Project Description

The loan will fund the City of Buckeye design and construction upgrades to their Sundance Water Reclamation Facility. This project will include upgrades and repairs to the two SBRs, rehabilitation of an anoxic basin, the addition of a new tertiary filter, and an upgrade to the headworks and solids handling system. **In addition, this loan will fund two additional screens for the odor scrubber, and two new generators, to build redundancy for a more resilient continuity of service.**

Section 3 Estimated Observation and Disbursement Schedule

Observation Schedule B:

Observation 1: Upon borrower notification of construction commencement

Additional Observations: at least one site observation within each 12 month period

Resolution Addendum A2024-004

Water Infrastructure Finance Authority of Arizona

Attachment F – Amended Exhibit B (cont.)

Final Observation: 80% construction budget disbursement

Additional Observations – A WIFA representative may perform additional observations based on information provided in the projects status reports included in each Local Borrower disbursement requisition form.

Withholding Percentage: 10% (released after deliverables received)

Section 4 Requirements Prior To Construction

Section 4.1 Construction Bids. The Local Borrower shall submit to the Authority for review and approval prior to execution:

- (a) engineering contracts related to the Project,
- (b) bid documents related to the Project,
- (c) construction contracts related to the Project, and
- (d) certification of positive effort for disadvantaged business enterprise participation.

Section 4.2 User Charges. The Local Borrower has established (or, if the System is not yet in operation, the Local Borrower will, at or before the time the System commences operation, establish) a system of user charges which, with other funds lawfully available, will at all times be sufficient to pay the costs of operation and maintenance of the System, including renewals and replacements of the System. The Local Borrower also agrees that such system of user charges will be established and maintained in compliance with any applicable requirements of state and federal law as long as the Local Borrower owes amounts under this Loan Agreement. The Local Borrower at its sole option may pay the costs of operation, maintenance, repair, replacement, extensions and additions to the System from any funds lawfully available to it for such purpose.

Section 4.3 Interest in Project Site. As a condition of the Loan, the Local Borrower will demonstrate to the satisfaction of the Authority that the Local Borrower has or will have a fee simple or such other estate or interest in the site of the Project, including necessary easements and rights-of-way, as the Authority finds sufficient to assure undisturbed use and possession for the purpose of construction and operation of the Project for the estimated life of the Project.

Section 4.4 Federal Clean Water Act. The Local Borrower covenants that, to the extent legally applicable, the Project will meet the requirements of the Federal Clean Water Act in effect on the date of Loan Closing and any amendments thereto that may retroactively apply to the Loan, and the Local Borrower agrees that the Project will comply with applicable provisions of those federal laws and authorities listed in Article 9 of the Standard Terms and Conditions.

Resolution Addendum A2024-004

Water Infrastructure Finance Authority of Arizona

Attachment F – Amended Exhibit B (cont.)

Section 4.5 **Federal Safe Drinking Water Act**. The Local Borrower covenants that, to the extent legally applicable, the Project will meet the requirements of the Federal Safe Drinking Water Act in effect on the date of Loan Closing and any amendments thereto that may retroactively apply to the Loan, and the Local Borrower agrees that the Project will comply with applicable provisions of those federal laws and authorities listed in Article 9 of the Standard Terms and Conditions.

Section 4.6 **Signs**. The Local Borrower shall erect a construction sign displaying information on the Project and the funding sources. The Authority shall provide specifications for such construction signs.

Section 5 Requirements During Construction

Section 5.1 **Changes in Project Scope**. The Local Borrower shall submit to the Authority, for review and approval prior to execution, any change to the plans and specifications, construction contracts, Eligible Project Costs, or any other change which will effect the performance standards or purpose of the Project.

Section 5.2 **Completion of Project and Provision of Moneys Therefor**. The Local Borrower covenants and agrees (a) to exercise its best efforts in accordance with prudent utility construction practice to complete the Project and (b) to the extent permitted by law, to provide from its own fiscal resources all moneys, in excess of the total amount of loan proceeds it receives hereunder and under any subsequent loan from the Authority, required to complete the Project.

Section 5.3 **Inspections; Information**. The Local Borrower shall permit the Authority and any party designated by the Authority to examine, visit and inspect, at any and all reasonable times, the property, if any, constituting the Project, and to inspect and make copies of any accounts, books and records, including (without limitation) its records regarding receipts, disbursements, contracts, investments and any other matters relating thereto and to its financial standing, and shall supply such reports and information as the Authority may reasonably require in connection therewith.

Section 5.4 **Adjustments for Ineligible Costs**. The Local Borrower shall promptly reimburse the Authority for any portion of the Loan which is determined to have been used for costs that are not eligible for funding under the Authority Act, the Federal Clean Water Act, as amended, or the Federal Safe Drinking Water Act, as amended, unless such matter is curable in some other manner by the Local Borrower to the satisfaction of the Authority. Such reimbursement shall be promptly repaid to the Authority upon written request of the Authority. Any such reimbursed principal amount will be applied to reduce the outstanding principal amount of the Loan.

Section 5.5 **Archaeological Artifacts**. In the event that archaeological artifacts or historical resources are discovered during construction excavation of the Project, the Local Borrower shall stop or cause to be stopped construction activities and will notify the State Historic Preservation Office and the Authority of such discovery.

Resolution Addendum A2024-004

Water Infrastructure Finance Authority of Arizona

Attachment F – Amended Exhibit B (cont.)

Section 6

Requirements Prior To Final Disbursements

Section 6.1 **Plan of Operation**. After construction is 50% complete and prior to the release of the withholding, the Local Borrower will submit to the Authority a plan of operation which provides a concise, sequential description of an implementation schedule for those activities necessary to assure efficient and reliable start-up and continual operation of the Project.

Section 6.2 **Final Approval**. Prior to the release of the withholding, the Local Borrower will submit to the Authority (a) as-built drawings by a professional engineer that document all changes from the original plans and specifications (b) copies of all testing results performed by or under the supervision of a professional engineer as required by the specifications, and (c) Arizona Department of Environmental Quality (ADEQ) approval of construction or an engineer's Certificate of Completion certifying that all construction was completed in accordance with the plans and specifications or that any changes made are in conformance with the Arizona Revised Statutes, ADEQ and Environmental Protection Agency rules, permits and guidelines and are documented in the as-built drawings. Based on a review of the information submitted, the Authority reserves the right, prior to the release of the withholding, to request modifications to the Project, the system, or the materials submitted pursuant to this section.

Agenda Item 12

AGENDA ITEM:

Approval of Loan Resolution Addendum A2024-005 – Black Canyon City Water Improvement District – DWSRF – Request to expand project scope and increase loan amount by \$50,000

ACTION REQUIRED:

Approve

PREVIOUS ACTION:

✓ Federal Programs Committee Recommended Board Approval on June 29, 2023

STAFF CONTACT:

Scott Connelly

ATTACHMENTS:

- Executive Summary (see board book)
- Loan Resolution Addendum A2024-005 – Black Canyon City Water Improvement District
- Addendum Attachments A2024-005

STAFF COMMENTS:

None

Resolution Addendum A2024-005

Water Infrastructure Finance Authority of Arizona

Section 1: Prior Board and Staff Actions

Borrower: Black Canyon City Water Improvement District
Resolution Number: 2023-037
Date of Board Action: March 17, 2023
Loan Agreement Number: 920370-24 (assigned)
Loan Amount: \$416,300 with \$295,650 in forgivable principal
Combined Interest and Fee Rate: TBD
First Principal Payment: TBD
Final Principal Payment: TBD (20-year loan)
Payment History: Not yet started

Section 2: Borrower Request

The Water Infrastructure Finance Authority of Arizona (WIFA) has received a request from the Black Canyon City Water Improvement District (BCCWID) to amend the scope of work detailed within Loan Resolution 2023-037 and increase the approved loan amount by \$50,000 making the total loan amount \$466,300 with \$320,650 in forgivable principal. BCCWID would like to add the following project to their scope of work:

Additional Project

BCCWID will use the additional \$50,000 to create a system assessment and recommendations of the BCCWID system. The assessment will include all ground assets, tanks, boosters, arsenic treatment systems, chlorination systems, electrical components, shut off valves, pipe, flow meters, pumps, all underground pipe, valves, meters, main and service lines, transite lines etc.

Background

BCCWID has experienced issues with the aging system. For example, most (500+) of the water meters have exceeded life expectancy, the arsenic treatment system has exceeded life expectancy, and the inground transite and galvanized lines need to be removed and replaced.

Revised Project Scope

An analysis of the system and equipment by a professional engineer, or qualified professional would allow prioritization of replacement materials that are needed. This would lead to less leaks, repairs, and improve cash flow by billing for actual water used. BCCWID will hire an engineer or qualified professional to complete a system assessment including upgrade recommendations.

Resolution Addendum A2024-005

Water Infrastructure Finance Authority of Arizona

Cost Estimate

Description	Cost Estimate
Field work, facility inspections and investigations	\$20,000
Data, information collection and review	\$ 7,000
Meetings	\$ 8,000
Report development and review with District	\$15,000
Total Estimate	\$50,000

Analysis

This increase in scope and additional funding request occurs after the original resolution was approved (Resolution 2023-037) but before loan document execution. The loan has been assigned an identifying number (Loan No. 920370-24), but no final rate or payment terms will be set until execution.

WIFA staff updated the financial analysis used in the approved resolution's due diligence analysis to include the increased borrowing requested by the Black Canyon City Water Improvement District. Staff further determined that \$25,000 in additional forgivable principal was appropriate in accordance with WIFA policy III.6 "Disadvantaged Community Designation" and procedure III.20.1 "Additional Subsidy Procedure". Based on staff's projection, the project will meet the required 1.2x debt service coverage for all years of the review period FY 2023-2027 (see Attachments D & E).

Staff Recommendation

Staff recommends amending the financial assistance amount to include the additional \$50,000 requested, bringing the total financial assistance to \$466,300; and an increase in forgivable principal of \$25,000 bringing the total to \$320,650 (68.8% of total loan).

Section 3: Amendments to Resolution No. 2023-037

Amend Loan Resolution No. 2023-037 Section 2.3 by adding the following language after the first paragraph of that section:

In addition, the loan will fund a system assessment to include all ground assets, tanks, boosters, arsenic treatment systems, chlorination systems, electrical components, shut off valves, pipe, flow meters, pumps, all underground pipe, valves, meters, lead main and service lines, transite lines etc.

Amend Loan Resolution 2023-037 Section 3 to show a Financial Assistance Amount of \$466,300 with \$320,650 in forgivable principal.

Resolution Addendum A2024-005
Water Infrastructure Finance Authority of Arizona

Section 4: Board Action on Resolution Addendum

WHEREAS, the Water Infrastructure Finance Authority of Arizona (the "*Authority*") has received from Black Canyon City Water Improvement District a request to modify terms and conditions of Loan Resolution No. 2023-037.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY AS FOLLOWS:

The Authority's Director is hereby authorized and directed to amend Loan Resolution No. 2023-037 in accordance with Section 3 of this Resolution Addendum. Other than requirements amended by this Resolution Addendum, all requirements detailed in Resolution 2023-037 remain in effect.

This Resolution Addendum shall take effect immediately.

Dated: July 19, 2023

By: _____
Chairman

Attest: _____
Director

Resolution Addendum A2024-005

Water Infrastructure Finance Authority of Arizona

Attachment A – Request to Amend

BLACK CANYON CITY WATER IMPROVEMENT DISTRICT

P. O. Box 1007
34501 S. Old Black Canyon Hwy, #6
Black Canyon City, AZ 85324

05/01/2023

Morgan Burgess
Water Infrastructure Finance Authority (WIFA)
100 N. 7th Avenue, Ste 100
Phoenix, AZ 85007

RE: Black Canyon City Water Improvement District Project: SCOPE CHANGE

Atten: Morgan Burgess

Black Canyon City Water Improvement District requests the WIFA Board amend Loan Resolution No. (DW/066-2022)

Technical Assessment, report, and recommendations of the BCCWID Systems, including all above ground assets, including tanks, boosters, arsenic treatment systems, chlorination systems, electrical components, shut off valves, pipe, flow meters, pumps, and all underground pipe, valves, meters, lead main and service lines, transite lines etc.

Additional Projects

Replacement meters, and Arsenic treatment systems (3), Transite and lead line replacement (FUTURE)

Background

Most (500 plus) of the water meters have exceeded life expectancy many times. Arsenic treatment systems have exceeded life expectancy. Inground transite and galvanized lines need to be removed and replaced.

Revised Project Scope

An analysis of the systems and equipment by a professional engineer, or qualified professional would allow prioritization of replacement materials that are needed. This would lead to less leaks, repairs, and improve cash flow by billing for the water actually used, not the lower readings we currently believe we have by most of these meters. Removing Transite and Lead lines will reduce repairs and improve time savings and potentially health benefits Lead and asbestos). \$ 50,000.00

Thank you for considering our amendment request. Please do not hesitate to contact our District Manager: Bob Hanus 602-327-3460, or Dave Moore 623-640-8080 board Chair with any questions or if you need additional information.

Sincerely,



David E. Moore, Sr. - Board Chair

Black Canyon City Water Improvement District

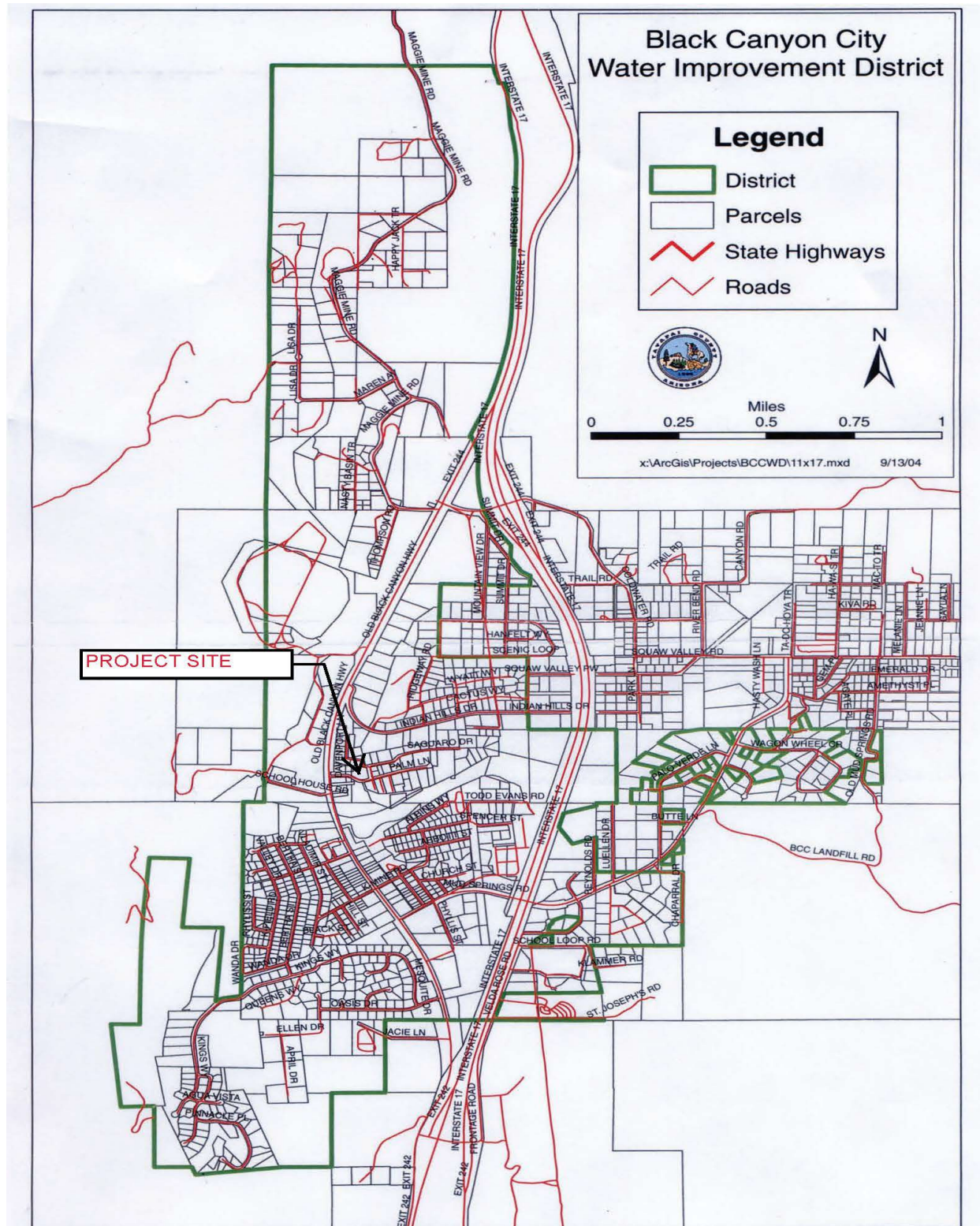
Resolution Addendum A2024-005
Water Infrastructure Finance Authority of Arizona

Attachment B – Cost Estimates

Description	Cost Estimate
Field work, facility inspections and investigations	\$20,000
Data, information collection and review	\$7,000
Meetings	\$8,000
Report development and review with District	\$15,000
Total Estimate -	\$50,000

Resolution Addendum A2024-005
Water Infrastructure Finance Authority of Arizona

Attachment C – Service Area



Resolution Addendum A2024-005

Water Infrastructure Finance Authority of Arizona

Attachment D – Fiscal Impact

Black Canyon City Water Improvement District Fiscal Impact of WIFA Financial Assistance

Total Requested.....	\$466,300.00
Forgivable Principal.....	\$320,650.00
WIFA Funded Amount (Loan Amount to be Repaid).....	\$145,650.00
Term.....	20
Combined Interest & Fee Rate	
Interest Rate Index.....	4.00%
Subsidy Rate Index.....	75.00%
Combined Interest & Fee Rate.....	3.000%
Year Principal Repayments Begin	2
Coverage Requirement.....	0.00%
Debt Service Reserve Requirement.....	\$0.00
# of Years Debt Service Reserve Funded.....	0

Annual Level Debt Service Payments to WIFA..... \$10,168.39

Annual Debt Service Reserve Deposit

Prior to Debt Service Reserve Requirement..... 0.00

Annual Replacement Fund Deposit -- Held Locally

After Debt Service Reserve Requirement..... 0.00

Annual Fiscal Impact

Year	Annual Debt Service	Reserve Fund Deposit	Replacement Fund Deposit	Total Annual Fiscal Impact
1	4,369.50		0.00	4,369.50
2	10,168.39	0.00	0.00	10,168.39
3	10,168.39	0.00	0.00	10,168.39
4	10,168.39	0.00	0.00	10,168.39
5	10,168.39	0.00	0.00	10,168.39
6	10,168.39	0.00	0.00	10,168.39
7	10,168.39	0.00	0.00	10,168.39
8	10,168.39	0.00	0.00	10,168.39
9	10,168.39	0.00	0.00	10,168.39
10	10,168.39	0.00	0.00	10,168.39
11	10,168.39	0.00	0.00	10,168.39
12	10,168.39	0.00	0.00	10,168.39
13	10,168.39	0.00	0.00	10,168.39
14	10,168.39	0.00	0.00	10,168.39
15	10,168.39	0.00	0.00	10,168.39
16	10,168.39	0.00	0.00	10,168.39
17	10,168.39	0.00	0.00	10,168.39
18	10,168.39	0.00	0.00	10,168.39
19	10,168.39	0.00	0.00	10,168.39
20	10,168.39	0.00	0.00	10,168.39
\$197,568.94	\$0.00	\$0.00	\$0.00	\$197,568.94

Resolution Addendum A2024-005

Water Infrastructure Finance Authority of Arizona

Attachment E- Financial Projections

Black Canyon City Water Improvement District

	Year over Year									
	2023		2024		2025		2026		2027	
	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
Revenues										
Operations	523,190	538,886	555,052	571,704	588,855	-0.19%	3.00%	3.00%	3.00%	3.00%
Other Income	12,000	12,360	12,731	13,113	13,506	-73.00%	3.00%	3.00%	3.00%	3.00%
Interest Income	1,050	1,082	1,114	1,147	1,182	25.00%	3.00%	3.00%	3.00%	3.00%
Total Revenues	536,240	552,327	568,897	585,964	603,543	-5.84%	3.00%	3.00%	3.00%	3.00%
Expenses										
Operating Expenditures	316,325	332,141	348,748	366,186	384,495	28.98%	5.00%	5.00%	5.00%	5.00%
Maintenance Expenditures	66,674	70,007	73,508	77,183	81,042	12.69%	5.00%	5.00%	5.00%	5.00%
Other Expenditures	14,279	14,993	15,743	16,530	17,356	-4.64%	5.00%	5.00%	5.00%	5.00%
Total Expenses	397,278	417,142	437,999	459,899	482,894	24.38%	5.00%	5.00%	5.00%	5.00%
Net Revenues Available for Debt Service	138,962	135,186	130,898	126,065	120,649	-44.43%	-2.72%	-3.17%	-3.69%	-4.30%
Debt Service Surcharge or Rate Increase	-	-	-	-	-					
Debt Service										
Current Debt Service	-	-	-	-	-					
WIFA Proposed Debt Service	4,370	10,168	10,168	10,168	10,168					
Total Debt Service	4,370	10,168	10,168	10,168	10,168					
Revenues after Debt Service	134,593	125,017	120,730	115,897	110,481	-46.18%	-7.11%	-3.43%	-4.00%	-4.67%
Projected Debt Service Coverage	31.80	13.29	12.87	12.40	11.87					

Agenda Item 13

AGENDA ITEM:

Approval of Loan Resolution Addendum A2024-006 – City of Winslow – CWSRF – Amending Loan Resolution 2019-002 and Loan Number 910177-19 – Request for change of scope

ACTION REQUIRED:

Approve

PREVIOUS ACTION:

✓ Federal Programs Committee Recommended Board Approval on June 29, 2023

STAFF CONTACT:

Scott Connelly

ATTACHMENTS:

- Executive Summary (see board book)
- Loan Resolution Addendum A2024-006 – City of Winslow
- Addendum Attachments A2024-006

STAFF COMMENTS:

None

Resolution Addendum A2024-006

Water Infrastructure Finance Authority of Arizona

Section 1: Prior Board and Staff Actions

Borrower: City of Winslow

Resolution Numbers: 2019-002, A2019-008, A2021-018

Date of Board Action: August 22, 2018, October 24, 2018, November 18, 2020

Loan Agreement Number: 910177-19

Loan Amount: \$5,100,000.00 with \$917,000 in forgivable principal

Combined Interest and Fee Rate: 2.672%

First Principal Payment: July 1, 2019

Final Principal Payment: July 1, 2049

Payment History: Current

Section 2: Borrower Request

The City of Winslow requests the Board amend Loan Resolution No. 2019-002 and Loan Agreement No. 910177-19. The City is requesting a reallocation of original funds. Resolution Addendum A2021-018, amended Resolution 2019-002 by including the additional project “Lab Building at WWTP” in the amount of \$280,500. Another project has presented itself and takes priority over this Lab Building. This additional project concerns the WWTP programmable logic controller (PLC) and will replace the “Lab Building at WWTP” project previously requested.

Additional Projects:

1. WWTP PLC Upgrades

Background

The reason for this request is due to the WWTP not performing as intended because of failing components. There is an urgency to get this addressed for proper and efficient operation. The WWTP Master Control Panel and the Influent Pump Station Control Panel are legacy control panels that were part of the original Oxidation Ditch WWTP Expansion and were not upgraded as part of the recent 2016 WWTP Upgrades. Components within these panels are starting to fail and is difficult for the operators and integrators to find legacy parts for replacement. In addition, several electrical shortages have occurred, making it difficult for the operators and electrician to trouble shoot due to lack of documentation and the discontinuation of some control wires as part of the recent expansion. As a result, the City is requesting the design, fabrication, installation, and integration of a new master control panel and new Influent Pump Station Control Panel for the WWTP.

State of Existing Loan Funds

Loan Amount	\$5,100,000.00
Funds Expended to Date	(\$3,848,715.38)
Funds Remaining	\$1,251,284.62
New Projects	(\$205,500.00)
Balance Available to Complete Remaining Projects	\$1,045,784.62

Resolution Addendum A2024-006

Water Infrastructure Finance Authority of Arizona

Revised Project Scope

WWTP PLC Upgrades

Design, Fabrication, Programming, Installation and Integration of new City of Winslow WWTP Master Control and Influent Control Panels' Back Planes. The new control panels will replace the existing legacy control panels and will perform the same functions of the existing panels. The new control panels will consist of all the internal back plane components that are within the existing enclosure. The enclosures themselves will not be replaced. The back plane components shall consist of the PLC processor and cards, power supply, relays, fuses, and any component necessary for the proper operation of the new control panels.

Section 3: Amendments to Resolution 2019-002 and Loan Agreement 910177-19

Amend Loan Resolution 2019-002 Section 2.3, Project Description, previously amended by A2021-018, and Loan No. 910177-19 Exhibit B Section 2, Project Description, as amended, to change projects in the scope of work. Section 2.3 and Exhibit B Section 2 will read as follows:

The City of Winslow has selected several priority clean water improvement projects to address deteriorating infrastructure and outgrown facilities. Project work includes the repair or replacement of ten manholes, the creation of a masterplan that includes water, wastewater, reclaimed water and stormwater plans, replacement of a 24" sewer main, and ~~the construction of a wastewater treatment plant building~~ the installation of control panels at the WWTP.

Section 4: Board Action on Resolution Addendum

WHEREAS, the Water Infrastructure Finance Authority of Arizona (the "*Authority*") has received from the City of Winslow a request to modify terms and conditions of Loan Resolution No. 2019-002 and Loan Agreement No. 910177-19.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY AS FOLLOWS:

The Authority's Director is hereby authorized and directed to amend Loan Resolution No. 2019-002 and Loan Agreement No. 910177-19 in accordance with Section 3 of this Resolution Addendum. Other than requirements amended by this Resolution Addendum, all requirements detailed in Resolution 2019-002 and Loan Agreement 910177-19, as previously amended, remain in effect.

This Resolution Addendum shall take effect immediately.

Dated: July 19, 2023

By: _____
Chairman

Attest: _____
Director

Resolution Addendum A2024-006

Water Infrastructure Finance Authority of Arizona

Attachment A – Request to Amend

Mayor
Roberta W. Caño
(928) 289-2422



Council Members
Peter Cake
Samantha Crisp
Jim MacLean
Darcey McKee
Melissa Nelson
Daniel T. Tafoya

June 7, 2023

Lindsay Mills
Water Infrastructure Finance Authority (WIFA)
100 N. 7th Avenue, Ste 100
Phoenix, AZ 85007

RE: CITY OF WINSLOW PROJECT SCOPE CHANGE

Dear Ms. Mills,

The City of Winslow requests the WIFA Board amend Loan Resolution No. CW 007-2019. This request is a reallocation of original funds. On Resolution Addendum A2021-018, an additional project “Lab Building at WWTP” was requested in the amount of \$280,500. Another project has presented itself, and takes priority over this Lab Building. This additional project concerns the WWTP programmable logic controller (PLC) and will replace the “Lab Building at WWTP” project previously requested.

Additional Projects

1. WWTP PLC Upgrades

Background

The reason for this request is due to the WWTP not performing as intended because of failing components. There is an urgency to get this addressed for proper and efficient operation. The WWTP Master Control Panel and the Influent Pump Station Control Panel are legacy control panels that was part of the original Oxidation Ditch WWTP Expansion and was not upgraded as part of the recent 2016 WWTP Upgrades. Components within these panels are starting to fail and is difficult for the operators and integrators to find legacy parts for replacement. In addition, several electrical shortages have occurred, making it difficult for the operators and electrician to trouble shoot due to lack of documentation and the discontinuation of some control wires as part of the recent expansion.

Revised Project Scope

1. WWTP PLC Upgrades
Design, Fabrication, Programming, Installation and Integration of new City of Winslow WWTP Master Control and Influent Control Panels’ Back Planes. The new control back planes will replace the existing legacy control planes and will perform all of the same functions of the existing panels. The new control panels will consist of all new internal

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www.winslowaz.gov

Resolution Addendum A2024-006

Water Infrastructure Finance Authority of Arizona

back plane components that are within the existing enclosure. The enclosures themselves will not be replaced, only the back planes, this is to save cost of purchasing new panel boxes and reducing the field work by not installing a new box. The back planes components shall consist of the PLC processor, cards, power supply, relays, fuses, and all component necessary for the proper operation of the new control panels. The design will include shop drawing preparation of all hardware and layout of the proposed panels' back planes. After design, the plans will be forwarded to the vendor for fabricated and delivered to the City. The City has received a quote from a vendor for the panels. Wiring terminations and mounting the panels' back planes at the project site shall be performed by an electrical contractor, hired by the City, the electrician will be subject to Davis-Bacon wages. While, the engineer will provide independent field system inspections, loop checks, programing, testing, and debugging. Engineer will provide start-up and commissioning of the system to ensure proper integration with the existing control panels with the WWTP's SCADA.

Thank you for considering our amendment request. Please do not hesitate to contact me at (928) 289-4011 or TWestover@winslowaz.gov with any questions or if you need additional information.

Sincerely,



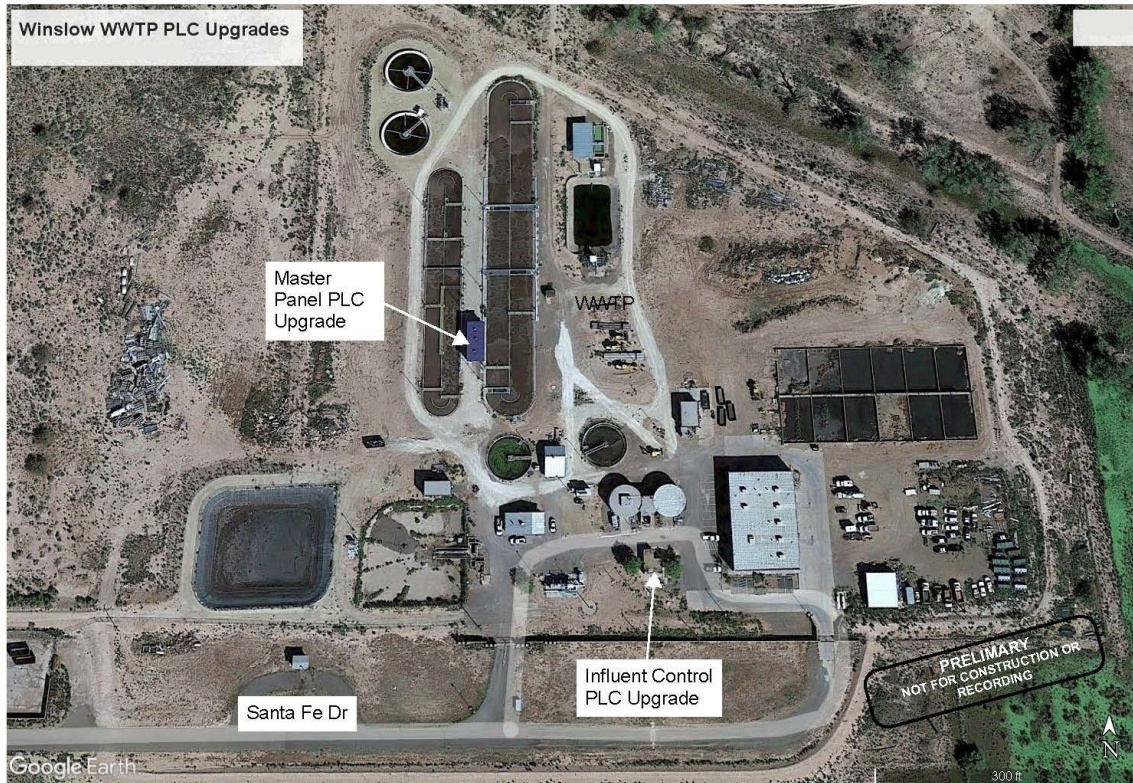
Tim Westover
Public Works Director

Attachment A – WWTP PLC Upgrades Map
Attachment B – Estimated Costs of New Projects

Resolution Addendum A2024-006
Water Infrastructure Finance Authority of Arizona

Attachment B – WWTP PLC Upgrades Map

Attachment A – WWTP PLC Upgrades Map



Resolution Addendum A2024-006
Water Infrastructure Finance Authority of Arizona

Attachment C - Budget Modification

Attachment B – Estimated Costs of New Projects

	Est. Qty	Units	Unit Price	Total Price
WWTP PLC UPGRADES				
1 Panels Construction & Installation	1	LS	\$121,750.00	\$121,750.00
2 Panel Design, Fabrication, Programming & Integration	1	LS	\$58,250.00	\$58,250.00
WWTP PLC Upgrades Subtotal				\$180,000.00
Contingency				\$25,500.00
WWTP PLC Upgrades Total				\$205,500.00

This estimate is based on conceptual planning for this project in 2023. This Cost Estimate is made on the basis of our experience and qualifications and represents our best judgment. However, since so many aspects of costs are beyond our control, we cannot guarantee that Costs will not vary from this Estimate.

Agenda Item 14

AGENDA ITEM:

Approval of Loan Resolution Addendum A2024-007– Desert Gardens RV Resort Cooperative, Inc. –
DWSRF – Request to expand project scope and increase loan amount by \$343,699

ACTION REQUIRED:

Approve

PREVIOUS ACTION:

✓ Federal Programs Committee Recommended Board Approval on June 29, 2023

STAFF CONTACT:

Scott Connelly

ATTACHMENTS:

- Executive Summary (see board book)
- Loan Resolution Addendum A2024-007– Desert Gardens RV Resort Cooperative, Inc.
- Addendum Attachments A2024-007

STAFF COMMENTS:

None

Resolution Addendum A2024-007

Water Infrastructure Finance Authority of Arizona

Section 1: Prior Board and Staff Actions

Borrower: Desert Gardens RV Resort Cooperative, Inc.
Resolution Number: 2023-003
Date of Board Action: August 19, 2022
Loan Agreement Number: TBD
Loan Amount: \$120,000 with \$85,000 in forgivable principal
Combined Interest and Fee Rate: TBD
First Principal Payment: TBD
Final Principal Payment: TBD (20-year loan)
Payment History: Not yet started

Section 2: Borrower Request

The Water Infrastructure Finance Authority of Arizona (WIFA) has received a request from Desert Gardens RV Resort Cooperative, Inc (Desert Gardens) to increase the amount of financial assistance approved by Resolution 2023-003 by \$343,699 making the total amount request \$463,699 with \$294,349 (63.47% of total) in forgivable principal. In addition, Desert requests amending the project scope to include cost overages from their original Loan No. 920340-22 which includes installing an arsenic treatment system.

Background

In January 2022, WIFA closed a loan (No. 920340-22) with Desert Gardens to install an arsenic adsorption treatment system as recommended by GHD, Inc to resolve their Consent Order with the Arizona Department of Environmental Quality for arsenic exceedances. That same month, WIFA retained TeamConverse to design the project using Technical Assistance funds. Upon TeamConverse's evaluation of the system, it was discovered that the system had power deficiencies that were overlooked by GHD. Desert Gardens stated that the local power provider, San Carlos Irrigation Project, failed to deliver power several times damaging the existing electrical equipment. Currently, Desert Gardens is manually operating the well pump around the clock to keep the storage tank filled.

TeamConverse recommended a standby generator system to mitigate the constant power issues and add redundancy to the system. Although GHD had budgeted for minor electrical upgrades in the original cost estimate, a generator was not included and therefore not budgeted for in the original loan. An additional loan application to cover the cost of installing a generator was approved by the WIFA Board on August 19, 2022 (Resolution 2023-003) however, the loan has not closed.

Since August 2022, the project costs for the arsenic treatment system and the generator increased significantly beyond the originally requested financing due to inflation, supply chain issues and general cost and labor increases to \$628,698.91 (Attachment B). This bid has been negotiated down \$52,683.21 from the original bid of \$681,382.12 after review by TeamConverse and Desert Gardens. Therefore, \$463,699 of funding is needed to cover the arsenic treatment and generator project.

Resolution Addendum A2024-007

Water Infrastructure Finance Authority of Arizona

State of Existing Loan Funds

Existing Funds	
Loan No. 920340-22 (Treatment System)	\$225,000.00
Resolution 2023-003 (Generator)	\$120,000.00
Total	\$345,000.00
Funds Expended to Date	
Loan No. 920340-22 (Treatment System)	\$1,140.00*
Resolution 2023-003 (Generator)	\$0.00
New Cost Estimate (Includes Contingency)	\$688,699.00
Funding Shortfall	\$343,699.00
New Loan Amount	\$463,699.00

*Borrower withdrew funds to pay for legal fees

Analysis

The project costs for the arsenic treatment system and the generator increased significantly beyond the originally requested financing due to inflation, supply chain issues and general cost and labor increases. Therefore, Desert Gardens has determined the need to increase Resolution 2023-003 from \$120,000 to \$463,699 to complete the arsenic treatment and generator project.

WIFA staff updated the financial analysis used in the approved resolution's due diligence analysis to include the increased borrowing requested by Desert Gardens RV Resort Cooperative, Inc. Staff further determined that \$209,349 in additional forgivable principal was appropriate in accordance with WIFA procedure III.20.1. Based on staff analysis, the project will meet the required 1.2x debt service coverage for all years of the review period FY 2023-2027 (see Attachments D & E).

Staff Recommendation

Staff recommends amending the financial assistance amount to include the additional \$343,699 requested, bringing the total financial assistance to \$463,699; and an increase in forgivable principal of \$209,349 bringing the total to \$294,349 (63.47% of total loan).

Resolution Addendum A2024-007

Water Infrastructure Finance Authority of Arizona

Section 3: Amendments to Resolution 2023-003

Amend Loan Resolution 2023-03, Section 2.3, in its entirety, and replace with the following project description:

“The loan will fund the installation of a backup power generator. Construction activities will consist of installing a 30kW standby propane generator, automatic transfer switch, propane tank, and gas line. In addition, this loan will fund additional costs for materials and installation for the generator and treatment system.”

Amend Loan Resolution 2023-03, Section 3, to show a Financial Assistance Amount of \$463,699 with \$294,349 in forgivable principal.

Section 4: Board Action on Resolution Addendum

WHEREAS, the Water Infrastructure Finance Authority of Arizona (the "*Authority*") has received from Desert Gardens RV Resort Cooperative, Inc. a request to modify terms and conditions of Loan Resolution No. 2023-003.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY AS FOLLOWS:

The Authority's Director is hereby authorized and directed to amend Loan Resolution No. 2023-003 in accordance with Section 3 of this Resolution Addendum. Other than requirements amended by this Resolution Addendum, all requirements detailed in Loan Resolution No. 2023-003 remain in effect.

This Resolution Addendum shall take effect immediately.

Dated: July 19, 2023

By: _____
Chairman

Attest: _____
Director

Resolution Addendum A2024-007

Water Infrastructure Finance Authority of Arizona

Attachment A – Request to Amend



A 55+ RV Resort Community in Arizona's Sonoran Desert

6/12/2023

Ms. Samantha Lemke

Water Infrastructure Finance Authority of Arizona

100 North 7th Avenue, Suite 130

Phoenix, AZ 85007

RE: Amendment to Load Agreement for Electrical Upgrades Loan # DW 033-2023

Desert Gardens RV Resort Cooperative, Inc is requesting an increase in Financing of work for the Subject Generator – Electrical loan. The Resort originally approved borrowing resolution of \$120,000 on January 04, 2022. The Resort has determined the need to increase the borrowing resolution to \$463,699 because, after submitting the ADEQ "Plans Approved to Construct", the JOC bidder's bid is significantly beyond our originally requested financing due to Inflation, supply chain issues and general cost and labor increases to \$628,699 per attached JOC price proposal Summary Plus a \$60,000 Contingency less our original loan of \$225,000.

A handwritten signature in blue ink that reads "Eric Muench".

President – Eric Muench

Resolution Addendum A2024-007
Water Infrastructure Finance Authority of Arizona

Attachment B – Cost Estimate

01 - General Requirements:	\$81,510.16
03 - Concrete:	\$4,414.84
10 - Specialties:	\$11,853.44
23 - Heating, Ventilating, And Air-Conditioning (HVAC):	\$3,169.93
26 - Electrical:	\$362,691.93
31 - Earthwork:	\$14,444.82
32 - Exterior Improvements:	\$16,308.28
33 - Utilities:	\$134,305.51
Proposal Total	\$628,698.91

Resolution Addendum A2024-007
Water Infrastructure Finance Authority of Arizona

Attachment C – Service Area



Resolution Addendum A2024-007

Water Infrastructure Finance Authority of Arizona

Attachment D – Fiscal Impact

Desert Gardens RV Resort Cooperative, Inc.

Fiscal Impact of WIFA Financial Assistance

Total Requested.....	\$463,699.00
Forgivable Principal.....	\$294,349.00
WIFA Funded Amount (Loan Amount to be Repaid).....	\$169,350.00
Term.....	20
Combined Interest & Fee Rate	
Interest Rate Index.....	6.00%
Subsidy Rate Index.....	80.00%
Combined Interest & Fee Rate.....	4.800%
Year Principal Repayments Begin	1
Coverage Requirement.....	20.00%
Debt Service Reserve Requirement.....	\$13,359.59
# of Years Debt Service Reserve Funded.....	5

Annual Level Debt Service Payments to WIFA..... \$13,359.59

Annual Debt Service Reserve Deposit

Prior to Debt Service Reserve Requirement..... 2,671.92

Annual Replacement Fund Deposit -- Held Locally

After Debt Service Reserve Requirement..... 2,671.92

Annual Fiscal Impact

Year	Annual Debt Service	Reserve Fund Deposit	Replacement Fund Deposit	Total Annual Fiscal Impact
1	13,359.59	2,671.92	0.00	16,031.51
2	13,359.59	2,671.92	0.00	16,031.51
3	13,359.59	2,671.92	0.00	16,031.51
4	13,359.59	2,671.92	0.00	16,031.51
5	13,359.59	2,671.92	0.00	16,031.51
6	13,359.59	0.00	2,671.92	16,031.51
7	13,359.59	0.00	2,671.92	16,031.51
8	13,359.59	0.00	2,671.92	16,031.51
9	13,359.59	0.00	2,671.92	16,031.51
10	13,359.59	0.00	2,671.92	16,031.51
11	13,359.59	0.00	2,671.92	16,031.51
12	13,359.59	0.00	2,671.92	16,031.51
13	13,359.59	0.00	2,671.92	16,031.51
14	13,359.59	0.00	2,671.92	16,031.51
15	13,359.59	0.00	2,671.92	16,031.51
16	13,359.59	0.00	2,671.92	16,031.51
17	13,359.59	0.00	2,671.92	16,031.51
18	13,359.59	0.00	2,671.92	16,031.51
19	13,359.59	0.00	2,671.92	16,031.51
20	13,359.59	0.00	2,671.92	16,031.51
	\$267,191.88	\$13,359.59	\$40,078.78	\$320,630.25

Resolution Addendum A2024-007

Water Infrastructure Finance Authority of Arizona

Attachment E – Projections

Desert Gardens RV Resort Cooperative, Inc.										
	2022					Year over Year				
	Projected	2023	Projected	2024	Projected	2025	Projected	2026	2022	%
Revenues	Projected	2023	Projected	2024	Projected	2025	Projected	2026	2022	%
Operations	316,730	332,566	349,194	366,654	384,987				9.58%	5.00%
Other Income	90,713	91,620	92,536	93,461	94,396				20.52%	1.00%
Interest Income	-	-	-	-	-				N/A	N/A
Total Revenues	407,442	424,186	441,730	460,115	479,383				11.84%	4.11%
Expenses										
Operating Expenditures	363,633	378,178	393,305	409,037	425,399				7.51%	4.00%
Maintenance Expenditures	-	-	-	-	-				N/A	N/A
Other Expenditures	-	-	-	-	-				N/A	N/A
Total Expenses	363,633	378,178	393,305	409,037	425,399				7.51%	4.00%
Net Revenues Available for Debt Service	43,809	46,008	48,425	51,078	53,984				68.08%	5.02%
Debt Service Surcharge or Rate Increase	-	-	-	-	-					
Debt Service										
Current Debt Service	-	-	-	-	-					
WIFA Proposed Debt Service	13,360	13,360	13,360	13,360	13,360					
Total Debt Service	13,360	13,360	13,360	13,360	13,360					
Revenues after Debt Service	30,450	32,648	35,066	37,718	40,624				16.83%	7.22%
Projected Debt Service Coverage	3.28	3.44	3.62	3.82	4.04					